World News

UN adopts tough line on stocks hit sanctions against Iraq

Sanctions must be maintained against Iraq as long as President Saddam Hussein falls to comply fully with United Nations ceasefire terms, the Security Council agreed.

During the first full scale review of the situation 60 days after the truce ending the Gulf war went into effect, western members of the council voiced

members of the council voiced concern that Iraqi forces might be preparing an offensive against Shia Modern civilians who have sought range in the

south of the country. Tehran radio said that, 100,000 fraqi troops were pre-paring an all-out offensive against hundreds of thou of Shiz refugees, Page 5

Mubarak warns Shami-Egypt's president Hosni Mubarak accused Istael's prime minister Yitzhak Shamir of undermining current Middle East peace efforts and described his attitude as shocking". Page 5

Major in Europe move British prime minister John . Major confirmed that he expected to sign a compromise deal on a single European currency, but offered the anti-Federalist wing of his party some fough words on the pace of integra-tion. Page 6; EC legal stakes,

Death blow to apartheid The South African government presented a bill which it said would deal a "death blow" to apartheid by repealing the Population Registration Act, the last remaining pillar of apartheid and Parthelet death.

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allegations, Page 5 Civilians shot dead Indian security forces shot dead 17 civilians in central Sri-negar soon after an attack by secessionist militants, wit. nesses said. Indian election resumes. Page 5

US Sowiet sundant talks. The White House said there was little chance of peaching a US-Soviet part to cut long-range nuclear arsenals. cials insist there is no link between those talks and Mikhall Gorbachev's appeals for economic aid. Moscow pressed to build private sector econ-

omy, Page 18 No cut in UK rates The Bank of England quashed market hopes of an early cut in UK interest rates even though official figures showed

ing inflation. Page 18 Call for special powers Poland's president Lech Walesa has called on parliam to give the government special legislative powers for a year ters". Page 4

Spanish targets bombed Bombs rocked Spanish targets in the northern Italian cities of Milan and Bologna, injuring four policemen and causing

Volcano warning Mount Unred in southern Japan spewed out more scorch ing volcanic gases, ashes and rocks, and scientists warned the mountain might be building up for a gigantic explosion.

French air strike Air travellers in Europe face cancellations and delays today because of a 24-hour wage strike by French air traffic con-

row strike threat, Page 7

Work of art 'too ugly' The Dutch parliament told an italian-Greek artist to take back his modern sculpture celebrating democracy because it was too ugly. A majority of members of parliament decided that lanis Kounelis cast iron edifice topped with a pile of coal failed dismally

the US and Canada on free trade

German - Tinemest - Problems encountered

modernising Germany's stock exchanges25

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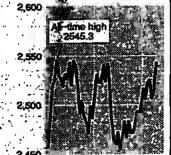
CONTENTS

Companies ----Morid Trade ---

Business Summary European new highs for year

EUROPEAN STOCKS hit new high for the year, helped by wall Street's firm opening. In Paris, foreign buying also helped push up the CAC 40 index by \$8.56 to a new 1991 high of \$2.574.81. Frankfurt also reached 1991 highs, with the DAX classing 10.98 stronger at 1.756.88.

FT-SEE 00 Index



April

London stocks neared record levels, gaining 30.7 points to a FT-SE 100 share index close of 2542.6. Shares were boosted by persistent hopes of an early ov persistent hopes of an early cut in UK base rates – a pros-pect dampened by the Bank of England. Bourses, Page 42; London stocks, Page 31; Lex, Page 18; Hopes of early UK rate cut dashed, Page 18

1991 June

TATE & LYLE of the UK, world's biggest sweeteners group, looks set to modify its bostile A\$325m (\$249m) bid for Bundaberg Sugar of Austra-lia after the country's foreign investment authorities approved the offer. Page 18; institutional battle ahead, Page 29

LVMH Most Hennessy Louis Vultion, French luxury goods maker, said it would buy up to 23.4m shares in UK drinks group Guinness to restore its stake to 24 per cent, the level agreed in their even holding. arrangement: Page 27; Lex. Page 18

YOLYO, Swedish carmaker, launched a new range of big family cars — the result of a SKr16bn (\$2.5bn) investment Page 19

NIPPON Credit Bank of Japan is setting up a leasing company in China in partnership with Chinese and South Korean financial concerns. Page 2

TELECOM Corporation of New Zealand heat its forecast with innual profits of NZ\$332m (\$195m). The company, owned by Ameritech and Bell Atlandetails of its public flotation.

WINTERTHUR, Swiss insurance group, saw net earnings drop 9.5 per cent last year to SFr236.6m (\$157m) but expects profits to grow again in 1991.

MEXICO has sold the first of 18 state banks to be urivatised A Mexican financial group paid \$203.7m for Multibanco Mer-

cantil. Page 24 IMBY Group, taken private at the height of the property boom in a highly leveraged £314m deal, agreed a restruct-

uring package. Page 19 GLAXO HOLDINGS, Britain's biggest pharmaceuticals group, is poised to sell a penicillin plan in northern England to Taiwan's China Synthetic Rub-

ber Company. Page 18 FYFFES, Irish-based fruit importer, is launching a rights issue aimed at raising 1560m (\$30.9m) for acquisitions. Page 26; Lex. Page 18

SD-Scicon, independent UK computer services company fighting a bid from Cray Elec tronics, received a 45p a share all cash counter-offer from General Motors subsidiary Electronic Data Systems, valuing SD-Scicon at £116m. (\$197.2m) Page 19; Lex,

Bundesbank warns over speed of move to single currency

GERMANY further toughened its stance on European monetary union yesterday as Mr Hans Tietmeyer, vice-president designate of the Bundesbank, issued an uncompromising call against premature moves to abandon sovereignty over the

Germany needed to maintain "manoeuvring room" and an "independent" policy on the D-Mark at least for several years because of the "difficult situation" after German unity, Mr Tietmeyer told an economic seminar in Frankfurt.

Although more outspoken than officials in Bonn, Mr Tietmeyer's views are broadly in line with the position taken by Mr Helmut Kohl, the German chancellor, and Mr Theo Wai-gel, the finance minister. At present director for inter-

national monetary affairs at the central bank, Mr Tietmeyer is emerging as the country's pivotal figure over Emu negotiations in the wake of the resignation of Mr Karl Otto Pöhl, the Bundesbank president Mr Tietmeyer takes over as deputy to Mr Helmut Schleginger to Mr Helmut Schlesinger when Mr Pohl steps down at

By Stefan Wagstyl in Tokyo

THE JAPANESE financial

authorities yesterday wel-comed indications that the

country's economic growth was starting to slow, a trend which should allow them greater scope in interest rate

With growth still at a high

level, however, the signals were that an early and sub-

stantial cut in rates may not occur. This in turn could stem

weakened against the dollar

Officials have been con-

cerned that the yen's down-ward drift might increase the

risk of inflation. It could also

fnel exports, leading to renewed tension with the US

and Europe over trade imbal-

An infinential survey published yesterday by the Bank of Japan showed that domestic

business confidence had declined slightly since the end of the Gulf war, although it remained high.

The findings of the quarterly

economic report were echoed in a speech delivered yesterday

by Mr Yasushi Mieno, the cen-

tral bank governor, who said the recent deceleration in

growth was a positive develop-

He added that the Bank of

Japan would continue to moni-

Mr Tietmeyer warned against "political pressures" from BC partners trying to push Germany into early decisions on a single European currency. He criticised British and French refusal so far to make their central banks independent - although he did not

mention France by name. He said the problems of restructuring the east German economy, partly exemplified by the German trade deficit in April, increased the Bundes-bank's responsibilities to maintain the D-Mark as the strong "anchor" in Europe.

He said be remained in favour of European economic integration. But be warned that Germany would, through a move to Emu, "lose a lot, namely one of the most successful and best monetary constitutions in the world".

By spelling out what Germany would lose through Emu, Mr Tietmeyer vesterday

Mr Tietmeyer yesterday breached an unwritten taboo among German politicians and officials, who normally talk of monetary union in terms of what Europe would gain. Although Mr Pöhl and Mr Tietmeyer agree on the basic

Slower Japanese growth

raises rate cut speculation

tor the effects of past monetary policy - suggesting that he saw no reason to cut interest

saw no reason to cut interest rates in the immediate future. Earlier yesterday, Mr Ryutaro. Hashimoto, the finance minister, said the economy femained strong but was slowing. Mr Hashimoto, who like Mr Mieno was addressing the annual meeting of the Japan Bankers' Federation, went on to note that prices had held generally stable but that the

future trend of inflation required vigilance.

closed at 141.1. a fall of 0.8

against the dollar.

In London trading the yen

The Tokyo stock market

ended modestly firmer. It had

declined steadily in recent

weeks as investors' hopes of an

imminent relaxation in mone-

tary policy were undermined

hy continuing evidence of strong growth in the economy.

Yesterday the Nikkei average of 225 leading shares rose 64.21

to 24,662.59. Mr Kim Schoenholtz, an

economist in Tokyo with Salo-mon Brothers, the US invest-ment bank, said the Bank of

Japan report gave the central

hank considerable leeway in

deciding when to cut rates.

Mr Takayuki Tanaka, an

economist with Long-Term Credit Bank, said the Official

Discount Rate might be cut in

stakes involved in Emu. Mr Tietmeyer's outspoken public comments underline the fact thet the central bank is likely to become even less concilia-tory under the new leadership.

Emn involved a transfer of monetary sovereignty towards Europe, Mr Tietmeyer said. By contrast, under German mone-tary union last year, the Bund-eshank extended its sover-eignty to the territory of the former East Germany.

In another departure from usual rhetoric, he said that "German unity should not slow down the European unity process. But it should also not

speed up the tempo."

Taking issue with arguments sometimes heard in France, he said it was "problematic" for other countries to urge German support from "amhitious currency projects" in return for their help in securing Ger-

man reunification.
Mr Tietmeyer also said the formation of a common pool of capital in a united currency area would enable countries with high hudget deficits to finance shortfalls free of inter-

the next month or two - but

only by half a point. The central bank survey

showed that the index of confi-

dence among manufacturing companies fell to 36 from 39 at

the time of the last survey in

companies reported a some-what greater decline in confi-

dence, because they are more

exposed than big groups to the

twin pressures of high interes

rates and labour shortages. For small and medium-sized manu-

facturers, the index fell to 25

from 29, and for non-manufac-

their capital spending plans since the last survey. Large

groups now plan to raise capi-tal spending in the financial year beginning April hy 7.1 per

cent, compared with 1.1 per cent at the time of the Febru-

ary survey. Small and medium-sized companies forecast a 6.3

per cent decline - a sharp

improvement on the 14.9 per

cent cut predicted in February.

cern about shortages of labour

slightly since February, a sign of economic slowdown. But the

central bank officials warned

against exaggerating their

The report showed that con

Companies also increased

turers to 23 from 25.

Small and medium-sized



Former Soviet premier Nikolai Ryzhkov feels the strain during campaigning for Russia's presidential elections

Russians vote their way into history

By John Lloyd and Leyla Boulton in Moscow

THE Russian millions who vote today for the president of their republic might be forgiven for failing to appreciate the historic moment of the

The campaign itself has been port on razzle. Only Mr Boris Yeltsin, leader of the Russian parliament and the front runner, has stirred excitement and large crowds.

However, even be has not done much of that, for be has said he is not really campaigning, merely doing his business as parliamentary leader which has happened to take him round a number of large Rus-sian cities.

For Mr Vadim Bakatin, the former interior minister, and Mr Nikolai Ryzhkov, the for-mer prime minister, a couple of thousand is a big crowd and to have received polite applause is to have done well.

Only Mr Yeltsin and Mi Ryzhkov have the use of must submit themselves to the vagaries of the state airline Aeroflot - which has meant a number of soapbox appear-

ances in airport lounges. As in the west, television has carried much of the debate. Continued on Page 18

Editorial Comment, Page 16

Poland asks for debt write-off in pollution control plan

By Christopher Bohinski

POLAND yesterday proposed to establish the world's largest debt-for-nature exchange scheme, under which 10 per cent of its debts to western governments would take the form of a domestic fund aimed

at combating pollution.

Should all 16 of the governments – which are members of the Paris Club, a grouping of western creditor govern-ments - agree to the deht swap, then the fond would bave an estimated \$3.1bn to spend over 20 years.

The fund's activities would be internationally monitored. The Paris Club agreed in April, subject to conditions relating to Poland's economic performance, eventually to halve its \$32hn portion of Poland's total \$45bn of foreign

For all the hard currency debt involved in the swap, Poland would undertake to set np and develop environmentally beneficial schemes funded with ziotys. The money would be spent in Poland oo projects to reduce acid rain, global warming and emissioo of pollutants into the Baltic

Mr Jan Krzysztof Blelecki. the Polish premier, yesterday told amhassadors of the Paris Club countries that their governments would be repre-sented collectively on the fund's management.

There would also he an

There would also be an international advisory panel and the fund would be audited "by an international company," he said.

The present proposal is the largest debt-for-nature swap to

It follows a recent plan for the Inter-American Development Bank to bny \$100m of Mexico's debt in the secondary market and use the funds to plant trees around Mexico City.

Coopers and Lybrand, the accounting firm, has already been retained by the Polish government to advise on the

Norway is to host an international conference on the project on July I and the Scanthe initiative.

The US has also approved the idea as has France.
"Germany has not said no" Mr Bielecki said yesterday. Poland presently spends some Zl10,000hn (\$873.8m) a year on reducing environmen-tal pollution.



The British Land Company PLC today welcomes the Rt. Hon. The Lord Mayor of London, Sir Alexander Graham, to unveil a plaque to commemorate the completion of the

renovation of Plantation House, Fenchurch Street - the City's

best-known office address.

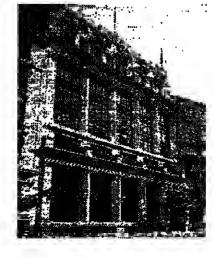
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Bush bullish over US economy

By Peter Riddell, US Editor, in Washington

PRESIDENT Bush is "bullish" about prospects for the US economy, he told businessmen yesterday. While some sectors were still sluggish, on the whole a turnround "appears to be in the making," he added. There was reason to be opti-mistic, he said. "This recession

has lasted perhaps longer than we would bave thought. It hasn't been as deep as many had predicted. But I think things are looking much more

promising."

Mr Bush was speaking as the
US reported its first quarterly
current account surplus for nearly nine years. The surplus of \$10.2bm for the first quarter followed a deficit of \$23.4bm in the previous three months. But it is exceptional, as a result of

\$22.7bn in contributions from foreign governments to the US costs of the Gulf war. Foreign countries have pledged a total \$53.5bn to finance the US-led war that ousted Iraq from

Even ignoring that item, the US trade position has improved because of a strong export per-formance and the impact of the recession on imports. The US's merchandise trade deficit was \$18.4bn in the January-March quarter, down from \$27.7bn the previous quarter.

But few economists expect the US to become a creditor nation any time soon, faced with a huge import bill for petroleum products and heavy imports of manufactured goods, especially from Japan. MARKETS

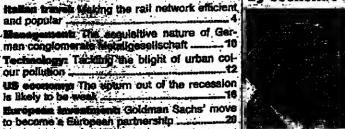
They expect the trade gap to resume its upward climb as the economy improves, since that is likely to mean businesses and consumers will buy more foreign-made goods.

Mr Bush noted that the May

lahour market report had shown more than a half of all industries had added to their payrolls last month. Industrial production has been rising while the index of leading eco nomic indicators had incres for three months. While not wanting to sound "euphoric because some people are still hurting in this country," he argued "things are beginning to move forward."

Editorial comment, Page 16 Bank reform law, Page 3

FT-SE 100:



put Zimbabwe in a position to exploit its natural strengths and resources, many analysts believe. But Robert Mugabe's economic track record

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New York lunch \$1.662 London: \$1,662 (1.6695) FFr9.9975 (10.0075) SFr2.515 (2.525) Y234.5 (236.95) 2.009) index 90.6 (90.8) COLD New York: Comex Aug \$ (376.6)

SFr1.5135 Y141.1 London: DM1.7725 (1.77) SFr1.5135 (1.512) Y141.1 (141.9) \$ index 67.6 (67.7) Tokyo close: Y141.35 US kmchtime rates Fed Funds 5끊 3-mo Tressury yield: 5.744% Long Bond:

FT Ordinary: 1,991.1 (+26.7) FT-A All-Share: 1,220.12 (+1.1%) New York: kunchtli 2,991.5 (+16.1) S&P Comp 380.86 (+2.29) 24,662,59 (+64,21) LONDON MONEY 114% (114) Liffe long gift future:

STOCK INDICES

2,542.6 (+30.7)

m trade, Talks open between Mexico, Can Zimbabwe repay its debts by economic improvement?

New credit terms have

London: \$371.25 (372.95) N SEA OIL (Argus) Brent Jul \$ (18.275) Chief price changes yesterday: Page 19

FFr6 0085

DOLLAR

New York lunch

WORLD TRADE NEWS

The European aircraft consortium plans to complete its range with a product at the top end of the market

Airbus steps up challenge to Boeing over large airliners

By Paul Betts, Aerospace Correspondent, in Paris

AIRBUS Industrie, the European aircraft manufacturing consortium, is to start talks in September with a few airlines operating large fleets of Boeing 747 aircraft to define their requirements for jumbo sirliners seating more than 500

passengers.
The discussions will mark the latest etage in Airbus efforts to challenge Boeing's dominance of the large airliner market. Mr Stuart Iddles, the European aircraft group's senior vice-president for commercial affairs, who wes addressing in Paris yesterday a Financial Times Aerospace Conference, said the initial discussions on a new Airbus jumbo would involve about half e dozen airlines.

Airbus and three of its part-

ners, including British Aero-space, Aérospatiale of France, and Deutsche Aerospace, are also expected to start drawing also expected to start drawing up specific designs for the development of a new large capacity airliner next year, Mr Iddles said. The separate projects from this four-party design competition would then be analysed by the consortium members to enable Airlius to members to enable Airbus to move ahead with the final definition of a new jumbo aircraft. The new large capacity air-



Aérospatiale's Henri Martre: orders will remain weak

craft would help complete the Airbus aircraft family range with a product at the top end of the commercial aircraft mar-ket currently dominated by Boeing, the world's leading manufacturer of commercial

jets. Airbus does not intend to compete against the current Boeing 747 but wants to develop a new aircraft for the 747 replacement market early The decision of Airbus to

worried Boeing and is seen by many European aerospace executives as a main reason for the renewed US onslaught

against government subsidies for Airbus programmes.

Mr Johann Schaffler, deputy chairman of Deutsche Aero-space, yesterday said he believed the latest US threats to file a complaint against Airbus subsidies in the General

bus subsidies in the General Agreement on Tariffs and Trade reflected American, and especially Boeing, anxieties over the Airbus jumbo plan.

To pre-empt further US criticisms on Airbus subsidies, Mr Iddles suggested that Airbus could finance from its own resources the \$4hn-\$5hn development programme of a new jumbo. "Financing it from internal sources would require internal sources would require some 5 per cent of turnover," he said, adding that this was "not insuperable".

Airbus expects annual turnover to rise to around \$150n by the end of the decade. The development of a jumbo would be spread over five years requiring about \$800m a year in annual funding. Mr Iddles confirmed in his

enter the large capacity air-liner market appears to have worried Boeing and is seen by business".

He also said Airbus partners had repaid last year about \$500m to their respective gov-ernments in accordance with their obligations to repay refundable loans advanced for the development of aircraft programmes. The partners expect to repay about \$900m this year, he added. The next significant invest-

ment by Airons would be the development of the new jumbo aircraft, Should Airbus decide to launch a smaller 130-seat version of its A320 twin-engined jet - the A319 - Mr iddles said this would also be financed through the commercial markets.

Airbus for the first time turned to the commercial markets to finance the development of the A221, the stretched version of the A220. The consortium has estimated the cost of deminators the smaller A216. of developing the smaller A319 120-seater version of the A320 at around \$400m, or the equivalent of the development costs of the A221 stretched version of the narrow bodied twin-en-gined sireraft.

Although Airbus was considering developing a 130-seat air-craft, Mr Schaffler said DeutCONFERENCE

Aerospace

sche Aerospace together with Aerospatiale and Alenia of Italy were still hoping to launch a new family of 80- to 130-seat regional jetliners next year. He estimated the potential of the worldwide regional jet market over the next 20 years at around \$950n, involving deliveries of short 7550. ing deliveries of about 3,550

However, competition in this market is intense, with a host of rival products and new derivative projects. These include the Canadair regional jet, the Fokker 100, the Bosing 737-500, the McDonnell Douglas MD87, and the BAs 146.

While there has not been a significant drop in the rate of new aircraft shipments, Mr iddles conceded there had been a dramatic slackening of new orders from airlines which was expected to last for the next two to three years. However,

he emphasised that manufac-turers had a record backlog of firm orders.

Both Airbus and Bosing are expected to announce new orders at the Paris Air Show. which opens tomorrow. There was speculation yesterday that Airbus was about to clinch a ificant order with a new

significant unsumer.
US airline customer.
But Mr Henri Martre, the Aérospatiale chairman, also warned that the rate of orders would remain weak because of the heavy commitments of air-lines and the uncertainties facing the airline industry hit by the twin effects of the Gulf cri-sis and economic recession. Mr Martre said alrimes placed net orders for only 13 airliners during the first quarter of this year compared with 255 airlin-ers in the same period last

However, congestion in the skies and at airports remained "the single greatest threat to continued airline growth", cautioned Mr Richard Albrecht, executive vice-president of Boeing Commercial Airplane group. "Aircraft delay is already costing the industry and the travelling public over \$90n a year in the US and Europe alone," he told the con-

Japanese : ties with China strengthen

By Stefan Wagstyl in Tokyo and John Ridding in Seoul

NIPPON Credit Bank, a leading Japanese bank, is to establish a leasing company in China in partnership with Chinase and South Korean financial organi-

sations.

The venture highlights moves by Japan and South Korea to deepen business thes with China. Japanese companies had been cautious about opportunities in China since the Tiananmen Square incident of June 1989. South Korean groups had avoided significant contact until a thawing of relations over the last year which led to the establishment.

relations over the last year which led to the establishment this year of bilateral trade offices in Beijing and Seoul.

Agreement on the leasing company, to be called International Far Eastern Leasing, was signed in Beijing last week it will be capitalised at \$10m (£5.7m) and be based in the industrial city of Shenyang, Liaconing province, in north-east China. It will channel funds from Japan and South Korea for investment in plant and equipment in China.

Nippon Credit Benk is putting up 30 per cent of the capital, with a further 10 per cent

tal, with a further 10 per cent coming from its affiliate, Crown Leasing Corporation. The two Chinese partners are the People's Construction Bank of China with a 30 per cent the People's Construction Bank of China with a 30 per cent stake, and the China National Chemicals Import and Export Corporation with 20 per cent. Korea Industrial Leasing, an affiliate of Korea Development Bank, a state-owned bank, will put up the remaining 10 per cent.

Korea Industrial Leasing said the joint venture would provide financing for the import of equipment by manufacturing companies. It said the Chinese leasing market had the property and property and had very good prospects and that one purpose was to pro-vide financing for Korean com-panies operating in China or seeking to manufacture there.

US herbicide supplier to build \$100m plant in eastern France

DOWELANCO, the US supplier of crop protection chemicals and seeds, is to build e \$100m (£57.8m) plant in eastern

The plant at Drusenbeim, near Strasbourg, will etart making herbicide ingredients at the end of next year and reach full output by the mid-1990s, by when it should have 120 staff. Dowledge the staff of the control of lanco already has 800 European staff producing 28 per cent of its world sales

and wants to expand there, as part of its strategy of moving production nearer to customers.

mearer to customers.

Most leading chemical companies manufacture the product for 95 per of their European sales in Europe, while DowElanco has local production for less than 40 per cent of its European sales, mostly from its plants in Britain, Germany, France, the Netherlands and laby Most of the believe in translations. Italy. Most of the balance is imported

from the US. "As this is one of the largest markets in the world for plant protection products, our objective is to ensure we can meet existing and future demands," said Mr Charles Fischer, European vice president for the

group.

Last year DowElanco made \$420m of The group. its \$1.5bn sales in Europe. The group, the world's seventh largest agrichemicals producer, was formed in 1989 from the merger of the crop protection busi-nesses of Dow Chemical of the US and Eli Lilly, the US pharmaceuticals group. DowElanco chose Drusenheim because it lies at the centre of the European market, officials said. No French regional aid was on offer. Assistance would have been available in the

nearby former steelmaking region of Lorraine, but this was unsuitable for

OECD export credit rates

Development announced new minimum interest

(9.68); FRENCH FRANC 10.17

YEN 7.50 (same); PESETA 12.86 (13.53);

US DOLLAR for credits of

np to five years 8.60 (same); for credits of over five years 9.00 (same). These rates are published monthly by the Financial Times, normally around the middle of each month.

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THE Organisation for Eco-nomic Co-operation and

rates for officially-sup-ported export credits (April rates in brackets): D-MARK 9.52 per cent

(10.26); GUILDER 9.85 (9.75); ITALIAN LIRA 11.99

STERLING 11.28; (11.28); SWISS FRANC for credits of less than eight years 8.30 (same); for credits of

They apply to all export credits. However, on those to middle-income and poor developing countries the OECD matrix rate can be

This is a standard set of rates reviewed twice a year, in January and July.

Work starts on free zone from Arctic to Acapulco

TRADE ministers from the US, Canada and Mexico begin much heralded negotiations in Toronto today on a North

(Nafta).
The choice of Canada's business and financial capital: as the starting point for the talks is not without significance. of the three, Canada runs the greatest political and eco-nomic risk in the push to cre-ate an Arctic-to-Acapuico free trade zone.
With most of the attention

With most of the attention focused on the US and Mexico. Canadian negotiators are well aware that, unless they constantly make their presence felt during the talks, they may be presented at the end with a rhoice of like-it or lump-it.

Although there will inevitably be some bilateral meetings, Canada will probably try to ensure that most of the work takes place in groups where all takes place in groups where all three countries are repre-sented. Among the topics

likely to be allocated to specific groups are rules of origin, market access, dispute settle-ment and investment restric-tions. tions.

Canada's two-way trade with Mexico is still small. Although Canadian businesses are eager to forge closer trade and investment links with a market which they recognise may be one of the fastest-growing in the world over the next decade. the world over the next decade or two, they acknowledge that the immediate benefits of an open Mexican market will be

modest.

Ottawa's main interest in the negotiations will be to protect – and, if possible, build on – the gains it made in the bilateral free trade pact with Washington which came into force in January 1989.

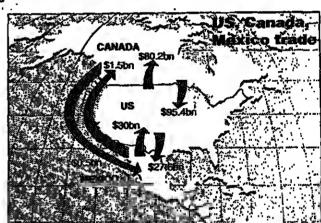
As Mr John Weekes, Canada's chief negotiator in the Nafta talks, put it in a speech recently, Ottawa's participation "will demonstrate to investors that investing in this

investors that investing in this country will guarantee secure access to all three markets". The Canada US free trade agreement (Custa, as it is now known) will serve as a useful framework for many of the

issues to be raised in the Nafta talks. For instance, its innova-tive system of bi-national panels to review trade disputes is likely to form the basis of the Nafta dispute settlement mech-

Ottawa also plans to push for some changes in Casta as part of the trilateral talks. It will press Washington to extend the provisions on government procurement to more
US agencies, and will seek
wider powers for Canadian
banks south of the border.
The Canadians hope that

with backing from the Mexicans on issues such as these, they may be able to prise more



possible during the bilateral negotiations in 1987-88. The risk for Ottawa is that the Americans will probably

also want to re-open parts of Custa. While the bilateral agreement will abolish all cus-toms duties by 1998 and nib-bles at some non-tariff barriers, several major trade irritants between the two countries remain intact.

Canada's broadcasting, publishing and other cultural industries continue to be protected from foreign (especially US) competition by ownership curbs, tax advantages and subsidies. Ottawa still frowns on for-

eigners buying healthy energy companies. Although Custa significantly relaxes scrutiny of US investments, those over C\$150m (£76.9m) will remain subject to review, even after full implementation of the Canada's ability to offer con-

canada a ability to offer con-cessions in the negotiations will be constrained however, by political considerations.

The next general election must be held before the end of 1993 and free trade has already become one of the beacons by

which Canadians judge the seven-year-old Conservative government of Mr Brian Mulroney, the prime minister. The business community generally welcomes free trade with the US and Mexico as a painful but essential remedy to the low productivity and high costs which bedevil Canadian industry after years of molly-

coddling.

But the Tory government has had the misfortune that the first stages of bringing down trade barriers with the US have coincided with a recession which has struck hardest at manufacturing industry in Quebec and

Trade unions and opposition parties have made the free trade agreement the whipping boy for almost every plant clo-sure and redundancy.

roney is that the especially net-tlesome issues of subsidies, dumping and countervailing duties are unlikely to be tack-led seriously during the trilat-

eral talks.

Most of the recent trade disputes between the US and Canada revolve around these three problems. But they were put to one side in the Custa negotiations, with the idea of making them the subject of future discretions.

Rather than searching for a regional solution however, canada is putting its faith in the Uruguay Round of multi-lateral negotiations under the General Agreement on Tariffs and Trade to deal with these and some other trade-distorting practices.

According to Mr Weekes, who was previously Canada's chief Gatt negotiator, "a suc-cessful Uruguay Round will halp us make a better North American free trade agree-

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THE US federal agency handling the rescue of the savings and loan industry, the largest in history, has been sharply criticised by the General Accounting Office (GAO), a congressional watchdog, for lacking adequate controls over

the billions it spends:
Mr Charles Bowsher, the comptroller general, in charge of the GAQ, yesterday told a congressional committee that the audit of the Resolution Trust Corporation would be delayed neveral months because financial statements for 1990 were not available until mid-May and because of uncertainties over asset values.
The GAO says the RTC head office "is still unable to track all its assets in receivership or all its assets in receiversing or to provide information related to the book value, estimated recovery value, date of sale, sales price, and sale gain/loss on an individual asset basis.

The report is critical of the RTC for insufficient scrutiny of contractors, including not

Mr Nicholas Brady, treasury ar Nicholas Brany, treasury secretary, has act up a working group headed by his deputy and the deputy secretary at the Housing and Urban Develop-ment Department to "investi-gate and co-ordinate" the RTC

The GAO's assessment has already stirred congressional criticism of the RTC. Congress-man Henry Gonzalez, the mav-erick chairman of the House

erick chairman of the House banking committee, has described the RTC as "an unguided missile beaded for certain dissiler".

Mr Boysher has also warned that \$50004750n is the minimum "significanal funding required six the RTC, in addition to \$500n already approved.

Because of the large amount of property already held by the RTC, the swer-built property market, economic weaknesses and the RTC's aggressive discounting policy on asset disposals, the GAO says "the best cost estimates for resolving failed thriffs could be signififailed thrifts could be signifipenalising those who do not carity understated and perform agreed work, and finad pected losses on asse equate financial controls.

Anticipating such criticism. RTC's funding needs". cantly understated and unex-pected losses on asset sales could dramatically increase

Sharp criticism President acts on bank reform law

Foreign banks 'may reduce US lending'

committee that the change to separately capitalised subsidiaries would impose

additional costs without enhancing their safety or soundness. Moreover, this might discourage involvement in the US. "To the extent the proposal may cause a retreat from the commitment of foreign banks to

the US market, it may reduce the availability of credit to American businesses

These worries were disputed at the same hearing yesterday by Mr David Mulford, Treasury under-secretary for international affairs. He said the Treasury had

considered the possibility of a reduction in leading but believed that some of the potential constraints could be allevisted if, for example, a subsidiary transferred

PRESIDENT George Bush yesterday met congressional sive bank reform legislation in face of strong criticism of the plan by a key House committee

The full House Banking committee is next week due to con-sider far-reaching proposals approved by its financial institutions sub-committee. But Congressman John Dingell, chairman of the House Energy and Commerce committee, which has jurisdiction over securities and inanrance issues, has said the plan could bave "profound negative

FOREIGN banks may cut lending to American businesses and local governments as a result of US Treasury proposals, Mr Alan Greenspan, chairman of the Federal Reserve, warned yesterday.

The Treasury has proposed, as part of a comprehensive bank reform plan, that foreign banks wishing to enurse in nearly

foreign banks wishing to engage in newly authorised activities, such as securities

underwriting, would have to set up a separately capitalised US subdiliary, rather than use the capital of their parent.

Moreover, foreign banks wanting to expand in this way would have to conduct all their US banking business through such a subsidiary, including current US

branches and agencies.

Mr Greenspan told the House Banking

effects on our economy." Mr Dingell was mainly responsible for blocking proposals in 1988 similar to the current ones ending the barrier between investment and commercial

banking.
While Mr Bush was telling the congressional leaders he wanted legislation approved quickly, Mr Dingell has chal-lenged the desire of Mr Tom Foley, the House Speaker, to have the legislation voted on hy tha full House by the August recess.

In a letter to Mr Foley, Mr Dingell has said his committee

consider the hill. "This complex and dangerous proposal should not he railroaded through Though the benefits are slight and hypothetical, the dangers are substantial." He challenged the administration's argument that banks should be given new powers to

link with securities, property

and insurance business The administration wants early enactment because the bill provides money to recapitalise the fund which insures bank deposits, fast being depleted by a run of bank failures. One possibility, so far

resisted by the Treasury, is

that this might be separated from the broader reform pack-

age. Mr William Seidman, chairman of the Federal Deposit Insurance Corporation, which manages the fund, said yester-day the likely number of bank failures this year might be nearer 440, costing more than \$23hn (£13.2bn), than 340. In the first quarter of 1991, nearly 90 per cent of banks earned profits, though overall earnings fell 8.8 per cent to \$4.7bn, against the same period a year ago. Problems at the loss-making 10 per cent stayed serious

especially with property loans.

loans that exceeded lending limits back to its parent. The parent could also provide

contribute to the depth and efficiency of markets in the US and continue to lend to

outside the US," while foreign anthorities

Denver, Miami to host professional baseball teams

By Patrick Harverson and Peter Berlin

AFTER SIX years and millions of dollars of campaigning Denver and Miami have been chosen to bost two new US professional baseball teams, in what will be the first expansion of tha country's national sport

since 1977. The two cities were chosen head of four rival bidders -Orlando, Tampa/St. Petersburg (both in Florida), Buffalo in New York state, and Washing-ton DC - by an axpansion committee of the National

League.
Major league baseball in the
US is split into two, the American and the National. The Denver and Miami teams will be competing in the National League when the 1993 season opens.

At present lending limits on US branches of foreign banks are based on the consolidated capital of their parents, but the creation of subsidiaries whose Although the committee's recommendations have to be ratified by owners of major leagua baseball teams in Calif-ornia later this week, approval of the new franchises is expeccapital is measured separately from the parent might, according to Mr Greenspan, 'limit the extent to which foreign banks ted to be a formality. Denver will be the first top flight team to play in the mountain time zone, while Miami will be the Mr Greenspan warned that foreign banks might he induced to conduct operations in "less costly environments

Both regions represent large, untapped markats for baseball.

sen primarily because their bids had the strongest financial backing. The husiness group behind Miami is led hy Mr Wayne Huizenga, owner of Blockbuster Entertainment, the world's biggest retail video

Setting up a new baseball team in the US is hig husiness. The two new franchises will each pay a \$95m expansion fee, of which the 12 existing National League clubs will get \$12.33m each and the 14 American League teams \$3m

The cost of running a base-ball club is high, but so are the potential rewards. Major League baseball has a four-year \$1.1bn television contract with CBS and teams are free to negotiate local deals, which for franchises in large urban areas can be worth tens of millions of dollars a year.

Franchises are long-term investments last time the league expanded in 1977 new franchises, includ-ing Toronto's, cost \$7m. The Baltimore Orioles were sold in 1977 for \$12m and in 1988 for \$70m. Owner Eli Jacohs has said be is thinking of selling them this year. The estimated

Bank America in **\$6m nature deal**

By Anne Diss in Washington

BANKAMERICA, the biggest west coast bank is to donate \$6m (£3.4m) of its loan portfolio to finance the largest private "debt-for-nature" swap to date a three-year programme to assist rain forest conservation in Latin America, chiefly

Mr Nicholas Brady, US treasury secretary, yesterday called the donation a new way to accomplish swaps". In the past, debt for nature swaps bave been undertaken primarily through the purchase of commercial debt by conserva-tion organisations.

The donation is tiny in rela-The donation is tiny in rela-tion to Mexico's foreign debt, but Mr Brady said he hoped the BankAmerica agreement would encourage other banks to take similar steps.

The debt donation will be channelled through the World

Wildlife Fund (WWF) and Conservation International, the environmental group, which in turn will purchase external

The Smithsonian Institution, the Washington-based organi sation involved in pioneering such swaps, will receive \$100,000 to act as adviser. nservation International will initially use \$250,000 to

belp save Mexico's Selva Lacandona the largest tropical rainforest in North America. The forest has shrunk by half in 50 years as a result of commercial forestry, pollution from urbanisation and poorly

managed agriculture.
In another \$250,000 programme, WWF will help Mexico's environment ministry support environmental educasupport environmental enforce tion and planning and enforce environmental law in the states of Chiapas and Oaxacs. Mr Richard Rosenberg, BankAmerica's chief executive officer, said businesses and governments must not be numbed into inaction by the dimensions of rainforest

destruction. "A section of the rain forest the size of a football field is destroyed every second of every day, and a species of plant or animal is lost to extinction every 24 hours," he

This is the 19th debt for naconservation organisations first became aware of the potential for using debt reduction as a meens to induce third world governments to protect Polish debt-for-nature swap,

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Democrats appalled by feuding of stars

THE DEMOCRATIC party,

which is not blessed with an abundance of presidential candidates for next year's elec-tion, is watching with horror and fascination as two of its most promising national figares tear each other apart. Governor Douglas Wilder of Virginia, the first-black to be elected to run a US state, and Senator Charles Robb, onetime governor of Virginia and former President Lyndon Johnson's sou-in-law, have become embroiled in a public row over allegations of saves dropping and political sahe

The sifair turns on allega-tions that Mr Robb, while gov-ernor of Virginia between 1982 and 1986, attended parties and had an affair with a local Mr Robb has consistently

denied the allegations and accused Mr Wilder of premo ing the stories for his own political ends. At one point, the Senator released a fourhour unedited video-tape of an interview with a network TV

producer in an unsuccessful effort to kill the story. In the latest exchange, Mr Wilder accused Mr Robb of civing a tape of a secretly corded cellular telephone e in 1988 when Mr Robb best a black Republicanto win the wealst US Senate seat in Virginia, in the tape, Mr Wilder said the Senator's political career was Indished

Last weekend, had received a Wilder tupe which had been sent anony-mously. The tupe was kept for wo and a half years but was iestroyed in recent weeks fter some of its contents



Governor Thomas Wilder sought to pressure a Virginia Republican official to say the Republicans were behind an investigation of the Senator's social life in 1968. The pres-sure came via a threat to reveal the contents of another

recorded telephone call. Federal and Virginia state law make it a crime to record and disclose intentionally the contents of cellular tele conversations. The Post story strengthened the impression that Senator Robb's stuff may have been overzealous in seek ing to contain the cocaine alle-

Governor Wilder, who is dent next year, is due to return from a trade mission to Europe today. He said that Senator Robb's admission that he had held the tape of his conversation for two and-ahalf years was "shocking".
Senator Robb, who is un for
re-election in 1994, denied he
was responsible for the caves dropping and called for a meeting with Governor Wilder to clear the air.

The Virginia state



PHILIPS

Soviet oil workers win 40% pay rise

By Leyla Bouiton in Moscow

MR Valentin Pavlov, the Soviet prime minister, yesterday agreed to a 40 per cent pay rise for oil and gas workers who had threatened to disrupt production of the country's main

hard-currency-earning export.
Mr Vasily Veryovkin, deputy
chairman of the Russian Oil
and Gas Workers Union, said
thet the increase to be backdated to June 1, would be financed through a cut in the taxation of oil enterprises.

This pay rise is the latest example of the government's tendency to give in to pey demands and stoke inflatioo, rether than face industrial action and carry out a threat to prosecute strikers in key industries.

boosted to total 75 per cent in the fourth quarter of this year, gas workers of Russia, Azerbai-jan and the Ukraine had ini-tially demanded a doubling of their pay. Without explicitly threaten-

Without explicitly threatening to go on strike, union members had planned to disrupt
production hy collectively
resigning, or hy observing regulations which would require
shutting down leaky pipelines.
The central government has also promised to invest 500m in hard-currency rouhles in the oil and gas industry to renew

The pay rise for workers involved in the extraction of oil and gas will be gradually investment to boost productiv-

posed raising the domestic price of oil from its current fixed low level of Rbs70 a tonne to Rbs180 in order to finance the pay rise. But the govern-ment has been reluctant to do this because of the repercussions it would have for the rest of the economy, which is dependent on cheap oil.

Oil workers earn an average

monthly wage of Rbs346, while gas workers are paid Rbs327 compared to the national average of Rbs280. Since donhling or tripling the price of basic

ernment has been deluged with double- and triple-digit pay demands.

Last month, it agreed to dou-ble the wages of striking coal miners on condition they increase productivity. In quick succession, the government awarded a 60 per cent pay rise to air traffic controllers and pilots, minutes before they were due to go on strike.

This was followed by a little-publicised decision to increase the pay of rail workers. Hardly setting an example while the

setting an example while the nation is being asked to tighten its belt, deputies of the Soviet parliament voted last week to increase their own pay from Rhs500 to Rhs800 a

BAe starts talks on export of **Eurofighter**

By Paul Betts

BRITISH Aerospace has started informal discussions with potential export customers for the new European Fighter Aircraft (EFA) which BAe is developing jointly with Deutsche Aerospace, Alenia of Italy and Casa of Spain.

Mr John Weston, the head of

BAe's military aircraft division, yesterday said EFA export orders could double the number of aircraft currently planned for airforces in each of the EPA partner coontries.

Although no formal proposals had so far been made by the EFA consortium to possible export customers, Mr Weston said that EFA was expected to the consortium to possible export customers, Mr Weston said that EFA was expec ted to turn into "an export success with interest already expressed by several responsi-hle, non-European govern-

Defence spending cuts in Europe were not expected to affect the overall EFA pro-gramme, Mr Weston said. But he conceded that it could reduce the overall number of new fighters ordered by EFA partner countries from an original estimate of hetween 700-800 aircraft to around

500 650 aircraft.
With edditional export orders, total EFA sales are expected to top eventually the 1,000 aircraft mark. Mr Johann Schaffler, deputy chairman of Dentsche Aerospace, said 1,000 was the minimum number of aircraft required to make the EFA programme economically

Despite persisting doubts over the German government's commitment to the EFA programme, Mr Schaffler said the mood had swung increasingly in favour of German participa-tion in the production of EFA. "The situation was critical in

Germany last autumn because of the domestic political situation," he eaid, adding that political attitudes towards EFA had since improved in Germany

However, Germany, which is contributing DM5hn (\$2.82bn) in the development of EFA, is likely to reduce its overall intake of new fighter aircraft from an original requirement of around 200-250 aircraft to

about 160 aircraft.

The UK, which is investing £1.8bn (\$3bn) as its 33 per cent share in the \$4.5bn EFA development programme, is expec-ted to require about 250 new

UK wins breathing space on harmonisation of VAT

The Luxembourg presidency.

with UK connivance, proposed at Monday's EC finance minis-

ters' meeting a two-part decla-ration. First, all 12 countries would state that their standard

VAT rate would be no lower than 15 per cent by 1993. Then, 11 of them would commit

themselves to turning this intention into legislation, with

By David Buchan in Brussels

BRITAIN could have several more months to decide whether to veto EC harmonisation of indirect tax rates, under the more months to decide market forces achieve this; but any single EC state can veto EC tax decisions. a new compromise acceptable to all its Community pariners, European Commission officials said yesterday.

Most EC states insist on legmost BU states limits on leg-islation to narrow the gaps between differing national rates of value added tax and excise taxes, so that the lifting of frontier controls by January t, 1993, does not send shoppers stampeding into low-tax coun-tries. The UK is alone in con-testing the necessity of bring-ing rates together by legally

the UK recording its opposition in principle.
"Everyone was happy with

it on Monday because disagreements over excise prevented a global package deal, said a Commission official yesterday. But, in a bid to end these north-south differences over excise on tobacco and alcohol Luxembourg is re-convening finance ministers on June 24 the third time this mosth— for what Mrs Christiane Scriv-ener, the EC tax commissioner, is calling "the moment of

Britain's moment of trutb will come in four months, the EC official said, when a precise legal text on tax rates is ready

Economy under control, says Pavlov

By John Linyd in Moscow

tonnes – down from 237m

been made "to cause panic".

He made clear, however, that

uation in the country".

The government had been forced to slash exports, especially of oil, in order to safe-THE decline in Sovlet production has been stopped and "the government has the economy under its control", Mr guard Soviet production, said Mr Pevlov. Oil exports had fallen hy 49 per cent in the Valentin Pavlov, the prime minister, told the Snpreme Soviet in Moscow yesterday. In a brief report on the econcurrent year, oil products hy 54 per cent, timber by 45 per cent and ferrous metal hy 61 per omy, Mr Pavlov claimed that his government could stabilise production over the next two

cent. At the same time, imports had been cut by 45 per or three months. The spring sowing campaign had been rel-atively successful, he said, and The Soviet Union earned 7.7hn hard currency roubles the expected grain harvest was between 205m end 206m (about £7bn) from exports in the first five months of the year, and paid Rbs12.2bn for tonnes last year, but far better than recent forecasts of hunger exports. Arrears for imports amounted to Rbs2.5bn. in all. which, Mr Pavlov said, had foreign trade turnover dropped by about e third, though Mr Pavlov said It was now beginning to pick up.

the economic crisis was still deep that the partial stabilisa-tion was fragile and thet "all will depend on the political sit-He disclosed thet only Geor-gia has not participated in

talks on the anti-crisis measures - though he admitted thet the three Baltic states could not agree to sign because the measures were not framed as e treaty between separate

He said that the main issue remaining in the talks on the Union treaty was a dispute on tax, with Russia and the Ukraine insisting that they should collect all taxes and pass on a set amount to the centre, while the Union gov-ernment wants to retain separate taxing powers.

New proposals to lower tax

rates, designed to "stimulate husiness growth", were debated by the deputies yesterday. Introducing the changes, Mr Victor Gubarev, a member of the Supreme Soviet's planning and hudgetary commis-sion, said "the amendments

testify to the commitment of the cabinet of ministers and the USSR Supreme Soviet to radical market reform".

The new tax regulations raise the minimum income level at which tax must be paid from Rhs100 e month to Rhs160; reduces the tax rate from 13 to 12 per cent for all earnings below Rbs1000; sets the maximum reserves. the maximum supertax rate at 30 per cent; and treats all incomes equally, rather than imposing discriminatory rates of up to three times higher on entrepreneurial activity.
The darker side of the mar-ket reform was highlighted by a report on the official news agency Tass thet experts expected the jobless numbers to rise to 30m in the Soviet Union within an unstated

period - with 1m in Moscow

Norway plans tax break to help banks

NORWAY'S minority Lahour government has proposed tax incentives for some husiness profits to be invested in the country's troubled hanking sector, writes Karen Fossli. Norwegian companies can make profits from sales of fixed investments such as machinery, where the sales price is higher than the book price. Under the proposal, 40 per cent of such profits would he exempt from tax from 1992, while the remaining 60 per cent could be invested without tax in new bank shares from the second half of 1991. But such shares would have to be held for et least five years.

Mr Sigbjoern Johnsen, the finance minister, said that the proposal was meant to "make it more favourable for Norwegian companies to buy newly issued shares and stocks in the Norwegian commercial and cavings hanks

Mr Per Kristian Foss, the head of the opposition Conservative party and chairman of the parliamentary finance committee, said that he expected the new proposal to win wide support among MPs.

But the Norwegian Associa-tion of Business and Industry complained that the measures were not sufficient to get the banks out of tronble and

strongly urged other measures to be implemented. The scheme contains an alternative proposal, under which up to one half of the 60 per cent of deferred profits could be invested from 1992 in newly issued shares or primary capital certificates, and the

other half in venture compa-

Norwegian companies' proflts on sales of fixed invest-ments have been untaxed in the past, but were due to attract tax under a reform drawn up earlier this year. The tax reform has yet to be prested to parliament.

"There is a strong need to from the end of 1992. ented to parliament.

transfer new core capital to the banks so they can better fulfil their role in society and con-tribute to growth and employ-ment," Mr Johnsen said. Norway'e banks have suf-fered huge credit losses for nearly four years. Earlier this year the minority Labour gov-erument established a NKrSbn (57227a) bank greenwater fund (\$733m) bank guarantee fund

The banks' troubles have been execerbated by an uphill struggle to meet tougher capital adequacy requirements to be implemented by the Bank for International Settlements

Hard going in EC legal stakes as single market draws near

By David Buchan

193 DOWN, 89 TO GO - that is the legislative scorecard on the European Community's barrier-flattening measures, only 18 months before the single mar-ket programme is supposed to take effect. In its latest prog-ress report, the European Commission yesterday warned of tough going in the home stretch to end-1992.

Prominent among its com-plaints are that fiscal and physical barriers to the free movement of goods and people still remain; the Council of stail remain; the Council of Ministers is dragging its feet on investment, shipping and road haulage services; and Italy has put barely half the EC directives on its national statute books.

Just as communist countries

nsed to have productivity surges towards the end of their annual plan periods, so the annual plan periods, so the pace of Community law-making picks up every six months, as each presidency nears an end Thus, by the time Luxembourg relinquishes the chair to the Dutch at the end of this month, some 220 single market measures ehould have won

approval; so it is hoped.

The Commission pats itself on the hack for churning out no fewer than 282 single mar-ket measures hy last year, hlaming others for legislative delays.

The Strasbourg parliament.

which only has real amending power on issues subject to majority votes in the Council. should have been speedier in dealing with single market leg-

dealing with single market reg-islation that (precisely because of majority voting) could have passed the Council casily. But it is no longer the key bottleneck because many key remaining issues - tax. removal of internal frontier checks, certain company and labour market rules - require Council unanimity. Successive presidency countries are at fault, the Commission says, for cancelling several recent meetings of the general Internal Market Council. Another black mark for gov-

ernments, in the Commission's book, is their continuing fail-ure to agree a site for a Com-munity trademark office, as well as to ratify the Commu-nity Patent Convention.

Lisbon inquiry into TV 'bias'

By Patrick Blum in Lisbon

PORTUGAL's parliament will look into the conduct of the state-owned television networks in response to last week's accusations of political bias on the two channels by President Mario Soares.

The ruling Social Democratic Party (PSD), which reacted angrily to Mr Soares's attack against what he claimed was growing government interference in the media, has agreed to the establishment of a parliamentary commission.

President Soares, a former socialist leader, said the two channels main news and cur-

manipulated to minimise the oppositions's role.
Such "abuses and irregularities were particularly serious" with a general election due on October 6, he said.

Opposition parties say they are often misleadingly or under-reported while rarely a

day goes hy without the prime minister, a minister or the gov-ernment's press spokesman

appearing in a report, icy.

A survey of television news coverage during May published in yesterday's Publico, a respected independent daily newspaper, appears to justify some criticisms.

It shows that Mr Anibal Cavaco Silva, the prime minis-ter and PSD leader, featured in programmes 54 per cent of the time, compared with 17 per cent for Mr Jorge Sampaio, the socialist and main opposition

An analysis of the coverage of parties as institutions showed the socialists with 38 per cent of broadcast time. more than the ruling PSD with 12 per cent. But when all politi-cal coverage was tabulated, the analysis showed the govern-ment had 263 minutes of coverage compared with 86 minutes for all other parties.

Walesa calls

for increase

By Christopher Bobinski

POLAND'S president, Mr Lech Walesa, has called on parlia-ment to give the government special legislative powers for a

year to "regulate economic

in powers

matters".

French blea | for easier equity financing

By William Dawkins

BUSINESSES in France say they are seriously short of equity capital and over-reliant on bank debt by comparison with foreign competitors. As e result they have sent the gov-ernment six tax reforms making it more attractive for businesses to turn to equity finance in place of debt in the hope that some at least may be included in next year's hudget.
The proposals, hy the
Patronat employers' federation, include lighter tax treatment for dividend payments, to narrow the gap with the lower tax rate on profits used for

The gap between the two is wider than for France's biggest competitors and as such encourages husinesses to take on too much deht, says the Patronat. It is also urging tax incentives for equity raising and better tax hreaks for pri-vate investors.

French companies increased their use of equity capital in the late 1980s, but still use a lower proportion of equity finance in their total funding (35 per cent) than competitors
In Germany, Britain and
Japan, says a Patronat study.
"If we don't take action to
improve the trend, there will he casualties," warns Mr Ernest-Antoine Seillière, chairman of the Patronat's economics commission. The downturn in the economy has ceused husiness collapses to increase by 15 per cent to 11,397 in the first quarter of this year, according to Dun & Bradstreet, the financial information com-

• Mr Seillière has welcomed the Organisation of Economic Co-operation and Development's recent criticism of the national minimum wage, paid to 2m workers, as a possible contributor to France's 9.3 per cent jobless rate. "We have been saying this for years. This considerably strengthens our

argument," he said.
The OECD's criticism, in its annual survey on France, comes as the government is due to complete a regular sixmonthly revision of the national minium wage, known as the Smic, for new rates to

advanced fighters. rent affairs programmes were Little push from the market will speed Italy's trains

Haig Simonian outlines the long-term overhaul plan for a slow, unpunctual and overcrowded railway

grossly overcrowded, hut

at least they are cheap.

Or they were until a three-stage price increase, begun last November and to be completed later this year, pushes up fares hy more than 35 per cent. The increase now in its second phase, has already raised the fare for a return between Rome fare for e return between Rome and Milan to L77,800 (£35). At L59.27 per km, that is still

good value compared with else-where in Europe. Even after the final fare rise, Italian train journeys will cost less than half the European everage. But in Italy the increases, which are part of an overhaul to improve quality, productivity and, eventually, the finances of the Ferrovic dello Stato (FS), Italy's national rail-

way system, run the risk of creating expectations which may not be realised.
For decades, the FS has been a hyword for inefficiency, overstaffing and political manipula-tion - not to mention corruption that triggered the mass resignation of its hoard of directors after revelations of

inflated purchasing contracts for bed linen in 1988. The FS remains a massive guzzier of cash – suhsidies were L9,557bn in 1989, while direct contributions from the state for capital investment

were a further L6,000bn.
For the past year, the task of supervising the planned transformation of the FS into e competitive system has been left to Mr Lorenzo Necci, a former chemicals industry boss.

TALY'S trains may be Mario Schimberni, former head slow, unpunctual and often of the Montedison chemicals group, Mr Necci carries the title of "special administrator", reflecting the powers with which he must set the rallways

straight. Mr Schimberni, who fought a running hattle egainst frac-tious unions and not always sympathetic ministers, laid the foundations for the more mar-ket-minded organisation now

emerging.

The traditional problem for the FS has been that most of its revenue comes from just e tiny proportion of its network, saddling it with huge fixed costs. Even today, 20 per cent of the network accounts for 80 per cent of traffic. So while a bloated workforce runs barely-used lines in some parts of the country, severe

hottlenecks hased on inade-quate infrastructure throttle demand elsewhere.

In April 1990, the government came up with a 10-year L100,000hn-plus investment plan to npdate the system. Spending for the first L30,000bn phase for 1991-92 has

already been allocated. The aim of the overhaul is to

inflated purchasing contracts for bed linen in 1988.

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Like his predecessor, Mr



Long a byword for inefficiency and overstaffing, the FS is bound for a transformation

of the year.

According to Mr Necci, the FS needs three to five years to become "healthy" in the sense of offering productivity comparable with other big European

networks.

Reducing manpower is "the first thing" to be done, he says. He won't talk numbers, hut around 18,000 jobs could be slashed if all Italy's level crossings were autometed, for instance. Numbers would also fall were specialised activities to be spun off into

Meanwhile, a change in the legal status of the FS from a cumhersome public-sector agency to an ente economico, a more market-related organisation, is in the process of being approved by parliament. While thet has won widespread thet has won widespread applause, views differ on open-

ing the railways to private capital. Mr Necci has already with private-sector inter-este - a scheme accorded lower priority hy Mr Schimberni, who was hostile to public-private co-operation.

The L30,000bn project, in which the FS will have a 40 per cent share, with the remainder being financed by a consortium of banks, will link Turin with

Venice and Milan with Naples, making up for years of indeci-sion and mismanagement and allowing Italy at last to catch up with similar schemes in received approval from the government to develop a new high-speed rail network jointly reach allowing Italy at last np with similar schools france and Germany.

Despite the new harmony between the government and Mr Necci, there are still a number of obstacles on the tracks. Allowing a private-sector consortium to huild a new Milan-Genoa high-speed link is the most prominent, with growing signs of a split between the FS and the transport ministry over the degree of independence to be allowed to the pridence to be allowed to the pri-vate sector. While the FS feels it should have ultimate responsibility, the transport ministry seems willing to give the pri-vate consortium greater lee-Further difficulties may also lie ahead on the labour front. Union agreement last year for the first 25,000 lay-offs came at

the cost of a L600bn early-re-tirement scheme and a gener-ous above-inflationary pay and conditions package for remain-The deal, which was widely criticised by private-sector employers, means that overall salary costs for F8 will rise

this year, despite the lower

this year, despite the lower numbers employed.

Reaching agreement on the 15,000 redundancies still sched-uled for 1991 may prove diffi-cult given the pressures facing the government to control pub-lic-sector spending. And if planned reform of the state pension system takes place, the FS could find itself again in the front line of industrial the front line of industrial

With union opposition to public spending cuts rising, the chances of renewed unrest on the railways after a period of relative peace is looming

According to Mr Slawomir Siwek, a presidential side, the move is intended to help the government operate more quickly to solve economic problems; controversially, it would involve by-passing the legislature ln certain key Parliament could well resist the proposal, which would require a special law to be

The decision to seek special powers for the government comes one day after Mr Waissa finally vetoed a draft electoral law prepared by parliament. He said the draft law was nuclear to voters and would wrough the company to the company of the comp

was nuclear to voters and would prevent the emergence of political stability.

A two-thirds majority is now required in the Sejm, parliament's lower chamber, for the veto to be overruled and the draft to become law.

Yesterday, it remained unclear which economic issues would be regulated under the new special powers.

Government officials have said that taxes, the budget and privatisation issues would be excluded from the proposed new powers and would remain fully in parliament's hands.

The present government has The present government has recently taken to complaining that its initiatives are being held up by parliament; Mr Jan Krzysztof Bielecki, the prime minister, seems to approve Mr Walesa's idea.

Walesa'e idea.
Parliament has passed 174
new laws in two years, and
107 drafts are going through
both chambers at the moment.
Some 25 of these are draft
laws prepared by the government and not all are connected
with the economy.

with the economy. A delegation representing Poland's 200 air traffic con-trollers is to see Mr Walesa

The controllers suspended a strike, in support of higher pay and reforms, after 10 hours on Monday following a request from the president.

He made appeals to the strikers instead of signing call-up papers for the controllers which would have brought them under military com-

Ambiguity clouds idea of pan-Europe confederation

By Ian Davidson in Paris

PRESIDENT Mitterrand's proposal for a pan-European confederation comes out of his belief that Europe, after its liberation from the Soviet Union, needs a new unifying structure to establish political links between east-

ern and western Europe.

But the range of nationalities represeoted at this week's conference in Prague to promote the idea, includes Americans, Russians and Japanese, implying that the vagueness of the original suggestion made on New Year's Eve 1989, not long after the fail of the Berlin Wall, is being exacerbated hy an extra dose of ambiguity.

The French government had hoped

to restrict this week's guest list to Europeans, even though President Mitterrand's original suggestion had been partly inspired by the Helsinki

agreement, which includes the US as well as the Soviet Union.

But the Czechoslovak government - whose President Vaclay Havel is co-sponsoring the three-day confer-ence attended by 150 prominent international personalities - insisted that the Americans should not he excluded. One reason was that they did not want to offend the Americans; another that they did not want the project for a purely European confederation to be transformed into a sub-

stitute for membership of the Euro-

President Mitterrand has said that the principal qualification for mem-bership must be the commitment to democracy. But he has repeatedly made clear that, in his conception, this "confederation" should not be intended to supplant the existing European Community of the Twelve, which must indeed become more integrated. Beyond that, however, he has not so far spelled out what he thinks a European confederation should do or how it should do it. No conclusive answers to these

questions will be supplied by this

tions, movement of people, and cul-ture - give some idea of the varie-gated collection of functions

envisaged by the sponsors. toget French officials draw a parallel tion. between this week's Prague conference, and the 1948 European Congress in the Hague, which led to the establishment of the Council of Europe and later to the European Community. pean Community.

week'e conference, since the partici-pants are independent personalities from various walks of life, not gov-

ernment representatives. But the subjects of the five working groups to which they have been assigned -

energy, environment, communica-

President Mitterrand was himself one of the participants at the 1948 con-

But some people suspect that President Mitterrand's idea does not at this stage go any further than a pious belief that there must be many areas which should be suitable for ad hoc co-operation between European gov-ernments, and which when added together could be called a confedera-

What is evident, however, is that he does not envisage anything for the confederation which could restrict or infringe on the ambitions of the EuroBy Robert Taylor

THE NORDIC countries yesterday called on Mr Javier Perez de Cuellar, the United Nations secretary general, to appoint a full-time famina relief co-ordinator for the Horn of Africa. of Africa. The initiative – which has

the support of the European Community - comes from the Swedish Foreign Ministry, it reflects a Nordic desire for reflects a Nordic desire for reform of the UN's development work. A growing number of countries, including Germany and Japan, have expressed their support for the proposals.

These aim to make the UN's development work more transported and

transparent, responsive and accountable, says Mr Bengt Save-Soderbergh, a Swedish Foreign Ministry official, and co-author of a report on UN

reform.

The Nordic group is highly critical of the way the UN conducts its ald work. It asserts that the response to the aftermath of the Gulf way produced "an unacceptable delay"

"an unacceptable delay" because of a lack of co-ordination between the UN organisations involved.

"All too often, information from the UN agencies reaches the member states too late and is formulated in such a way as to cause confusion as to the actual relief needs and the organisations through which assistance should be chan-

assistance another the chain-nelled," the group says. It complains that the Office of the UN Disaster Relief Co-dinator is "too broad" and the organisation is not performing the functions labit down in its mandate.

mandate; But the group also criticises the fact that UN organisations have "virtually no reserve funds for speedy measures". The Nordic group revives the idea of an international disaster relief historance system first floated 10 years ago by a group at Uppsala University. It says the UN's activities in this area have spawned a diversity of finds, programmes and organisations.

The result is a fragmented

By Gree Huichinson in Manila

also of Japan, thrust thrust Mr Jesus Estanisiae, the oriented

told reporters yesterusy that the new loan would be similar to the 1986 \$300m World Bank. incoming government after presidential elections next

Philippine finance secretary, told reporters yesterday that

UN urged Mubarak warns Shamir of rising Arab frustration

By Roger Matthews and Tony Walker in Cairo

PRESIDENT Hosni Muharak of Egypt, in some of his toughest criticism yet of the Israeli leadership, yesterday accused Mr Yitzhak Shamir, Israel's prime minister, of undermining current Middle East peace efforts and described his attitude as "shocking". in an exclusive interview with the Financial Times. Mr Mubarak said that Arab frustration with Israeli

that Arah frustration with Israeli intransigence on the peace issue was mounting while hope of progress towards a settlement was receding.

"Mr Shamir will get very angry if I speak frankly. I'm not against Mr Shamir but I'm telling him that I cannot just sit here like this and applaud while he is saying no to exchanging land for peace, no for this, no for that. Lef us be flexible if we want peace to prevail.

You cannot keep the land and have peace. It is impossible."

The Egyptian president called for an immediate "confidence-building" moratogium on Israeli settlement

moratogium on Israeli settlement activity in the occupied territories, and said that unless progress towards peace was achieved soon another critical opportunity would be lost.

"Continuing to build settlements indicates that there is no hope for solving the problem. It suggests that Mr Shamir is not intending to [give] Palestinians their rights. This is very contradictory, shocking and gives no hope for the future." he declared in a wide-ranging interview conducted at the Tahrir Palace in conducted at the Tahrir Palace in

outset of the Gulf crisis as a leader of on Middle East peace talks.



Mubarak says the Israeli leader's attitude is undermining Middle East peace talks

the moderate bloc in the Arab world opposed to Iraq, said ha was surprised and disappointed that after the conflict had subsided Israel had been inwilling to show greater festibility. Mr Shamir has said repeatedly that Israel is not willing to yield one inch of territory seized in tha 1957 war, including the West Bank, Gaza Strip, East Jerusalem and the Golan Weighte

Heights.
Mr Muberak's stern remarks came as Mr David Levy, Israel's foreign minister, left for the US to explain the Israeli rejection of a compromise pro-posal aimed at breaking the stalemate

President George Bush, in a letter to Mr Shamir last week, had urged him to allow the United Nations to play a minor role in a proposed Mid-dle East peace gathering, and to agree to the conference reconvening at six-monthly intervals to review progress. monthly intervals to review progress.

But Mr Shamir, in a written reply, rejected Mr Bush's appeal and added naw conditions for entering peace talks, saying Israel would insist on the right to veto Palestinian negotia-

Mr James Baker, the US secretary of state, has visited the Middle East four times since early March in an effort to carry forward the peace pro-

cess, but has made little progress. Both the US and its moderate Arab friends have been urging President Hafez al-Assad of Syria to be as flexihle as possible on terms for a peace conference. Damascus has insisted on UN involvement in a proposed confer-ance and for the meeting to perform a supervisory role – conditions which

Asked whether Syria was willing to be more flexible and thus avoid blame should the process fail, Mr Mubarak said: "I think Syria understands this and is moving towards much more flexibility, but on the other hand flexibility is also needed from Mr Shamir.

Israel rejects

especially from Mr Shamir." Pressed on the question of whether Syria itself was really committed to peace, the Egyptian leader, who has been in frequent contact with President Assad, replied: "I'm sure that Syria is ready for peace, but it has to be on a fair basis. Syria fears that it may make concessions and Mr Shamir would never respond. He would just take the new concessions, put them in his pocket and never give anything in return."

On the vexed question of UN involvement in the proposed peace conference, Mr Muharak said: "Look. the peace conference will be based on Resolutions 242 and 338...so whether we like it or not the UN will be one of the important factors in the

Mr Mubarak warned that unless progress was made towards peace by the end of the year, time will have run out.

run out.

"The elections of the US president starts and everybody will be busy so the curve of the peace process will go down again," he said.

However, Mr Mubarak refused to speculate on the possible Egyptian or wider Arab response to a collapse of

No Egyptian criticism, however. seems likely to be directed at Washington. Mr Mubarak singled out Mr Bush and his administration for praise, saying that: "President Bush is doing the maximum and his administration is one of the best administrations as far as I can remember."

Shia Moslem. After his one-bour talk with Mr Hrawi, Mr Hogg said: "We discussed the question of all tha bostages,

particularly the British bos-

tages. It was a helpful meet-ing." He also was scheduled to

Moslem factions.

Israel's ambassador to Lon-

don said yesterday that his country is prepared to exchange its Arab prisoners for

ths western hostages and

Israeli prisoners held in Leba-non. Mr Yoav Biran told BBC

television that Israel is ready

to enter negotiations to make

Mr Biran sald that Israel would be willing to exchange a number of Palestinian and

Arab prisoners for the seven Israelis missing in action in Lebanon and the 13 western

investment in Beirut

Hong Kong warns UK over boat people

A DELEGATION of Hong Kong legislators yesterday warned Mr Douglas Hurd, the British foreign secretary, that the coi-ony could face an outbreak of violence in refugee camps if steps were not taken rapidly to stem the growing inflow of Vietnamese boat people, writes Robert Mauthner, Diplomatic

The legislators also warned Mr Hurd that if nothing was done to improve the situation they might vote later this year to repeal the law of first asylum, under which the boat people are allowed into Hong Kong. This could provoke a constitutional crisis between the colony and Britain.

Tamils offer peace talks

Tamil rebels yesterday said that they were ready for peace talks to end the eight-year civil war and suggested negotiations in Europe, AP reports from Colombo.

The offer came one year after the Liberation Tigers of Tamil Eelam, the rebel militia, broke a ceasefire and resumed their civil war against the army. "The LTTE is showing a willingness to take part in direct, unconditional talks with the Sri Lankan govern-ment," said Mr Lawrence Thi-laker, a Tamil spokesman.

Ethiopian port road reopens

Forty trucks carrying fnei, relief snpplies and fertilizer from the Red Sea port of Assab headed to Ethiopia's capital yesterday following the reopening of a vital road linking Addis Ababa and the coast, AP reports from Addis Ababa

The port, 400 miles north-east of the capital, is crucial to the delivery of relief supplies for many of the nation's estimated 7.3m drought victims.

Fears of coup grow in Fiji

Fiji's military yesterday ordered 3,000 reservists to report to their bases, raising fears of a third military conp, Reuter reports from Suva.

The order, broadcast on state-owned Radio Fiji, fol-lowed a call last Saturday by Fiji's military forces com-mander, Maj-Gen Sitlveni Rabuka, for the interim gov-ernment to resign.

UN adopts tough line on Iraqi sanctions | UK links hostages to

By Michael Littlejohns, UN Correspondent in New York

long as President Saddam Hussein fails to comply fully with United Nations ceasefire terms, the Security Council agreed

yesterday.

During the first full-scale review of the situation 60 days after the truce ending the Guif war went into effect, western war went into effect, western members voiced concern that Iraqi forces might be preparing an offensive against Shia Moslem civilians who have sought refuge in marshland in the south of the country.

Tehran radio said yesterday that 100,000 Iraqi troops were preparing an all-out offensive, including aerial and amphibious assaults, against hundreds of thousands of Shia refugees.

The reports, which followed accounts of persistent

Manila to negotiate new loan

THE Philippines plans to and would be focused on the negotiate a \$800m to \$10m loan development of the private seconockage from the World Bank, the Asian Development Bank, the Japan Export-Import Bank and the Overseas Economic Co-operation Fund (OECF), also of Japan, the Associated Smelting and Refining Corporation.

Mr Estanislao described the

intended loan as the adminis-tration's "send off" to tha

SANCTIONS must be hit-and-run operations by maintained against frag as armed Shia rebels against govemment forces in Basra, could not ba indapendently confirmed.

Sir David Hannay, the UK dalagate, criticised Iraqi actions since the ceasefire, calling Baghdad's performance "far from encouraging", with serious issues of non-compliance still remaining. He again raised the case of the detained Britons Mr Douglas Brand and Mr Ian Bichter coging that the Mr Ian Richter, saying that the seizing of Mr Brand was "a particularly flagrant violation"

ing Corporation.

Three others, for which no decision had previously been made – namely, Semirara Coal Corporation, the North Davao

of UN resolutions. "We will be heavily infinenced in our approach to sub-sequent reviews by the Council of sanctions, by the Iraqi atti-tude to the release of both men." Sir David said.

He called for a comprehen-

sive report on progress by Mr Richard Foran a Canadian spe-cial envoy of the UN who is trying to get Iraq to return sto-len property. It was inexplica-hle that stolen gold, foreign currency and aircraft were still being held, the British repre-

sentative said Referring to the problems in southern Iraq, he said the establishment of a humanitarian UN centre in Basra might shed more light on that situa-

As a UN team of experts continned a five-day on-site inquiry into Iraql chemical weapon stock in Muthanna, north-west of Baghdad, the Iraqi government yesterday rejected liability for the cost of destroying these weapons, which according to some esti-mates could be as high as

appointed in Pakistan

\$200m (£115.6m).

However, in a letter to tha UN, the government said it was ready "by its own efforts to destroy or render harmless the said weapons", adding that it had the expertise and techni-

cal facilities.
Mr Robert Galucci, vicechairman of the special commission of inquiry said that the proposal could be pursued if the materiel could be destroyed nuder proper supervision.

Reuter adds from Baghdad:

tions between Pakistan and the US have been damaged by the cut-off of US economic and mil-

itary aid, and Gen Beg's anti-western statements during the Gulf war. Pakistan sent 11,000 troops to Saudi Arabia as part of the allied forces.

Buthelezi

denies arms

allegations

CHIEF Mangosuthu Buthelezi, leader of the mainly Zuln Inkatha Freedom party, bas denied allegations that the South African Defence Force

has provided funding and

nas provided funding and weapons to his party as part of a strategy to weaken his politi-cal rivals, the African National Congress (ANC).

orchestrated by the SADF. That violence has often pitted

supporters of Inkatha against

supporters of the ANC.

The strategy behind the vio-lence, he said, was to create

ethnic divisions, and to boost

support for inkatha as a poten-

tial moderate alliance partner with the ruling National party

in the first post-apartheid

DAILY

FLIGHTS

By Patti Waldmeir in Johannesburg

Iraq said yesterday an agree-ment between President Saddam Hussein's government and Kurdish rebels would be announced shortly, but gave no indication what form it would take. The defence ministry said a statement would be issued "soon". Pro-western army chief

extended.

Gen Janjua's appointment appears part of an effort to strengthen ties with the US. Talks between the two sides started in Washington yesterday, aimed at preventing a further deterioration in relations over the nuclear issue. Relations between Pallstan and the resumes

By David Housego

POLLING resumes in India's general election today with tha Congress party widely believed to have improved its

tain to emerge as the single largest party, it is likely to need support - most probably from the communists - to

from the communists – to form a government.

The first day of polling was on May 20 when voting took place for 204 of the 510 seats being contested. After Mr Gandhi's death on May 21 voting was postponed for three weeks in the remaining constituencies.

President R. Vouketerson

President R. Venkataram took the unusual step on Sat-urday night of appealing on television for a free and fair poll. Parties that gain power through malpractices will not

Newspaper reports had ear-lier quoted a former member of ple," he said.
His strongly worded statement was intended to prevent the widespread violence and ballot rigging which occurred on the first dey of polling when 100 people died and voting was cancelled in five con-South African military intelligence, Mr Nico Basson, as say-ing that the SADF bought AK-47 rifles and used them to arm inkatha. He alleged that the violence which has left some 1,800 people dead since August in the Johannesburg area had heen deliberataly

> sign of the president asserting a greater role for himself at a time of great political fluidity. He has been widely criticised posing a national government and even the cancellation of the election.



A Bombay family makes its way through the streets yesterday during heavy monsoon rains which have killed at least 44 people

and where 20 candidates have is expected today and on Sat-been killed since the campaign urday, with the risk of mon-

paign has dwindled – as has the violence. The big exception is the Punjah which goes to the polls separately on June 22 and where 20 candidates have the rest of the risk of monsoon rains also likely to deter Polling will take place today voters in the south and west.

Mining Corporation and the Metro Manila Transit Corporation — would also be sold to the public. The IFC, the investment arm funded equally by Japan's Eximbent and the Asian Development Bank. The intended fresh loan would in effect be the third Eximbent and the Asian broader pursuit of economic reforms, including the liberalisation of investment and trade regulations, accelerated privaextend his tenure. The issue of the army chief's isation of investment and trade-regulations, accelerated priva-tisation, deregulation of oil pri-cing and further reforms in the appointment has attracted much attention in the local of the World Bank, would recommend how the latter three companies would be privatised. appointment has attracted much attention in the local press and during private disstructural adjustment facility granted by the World Bank, World Bank patient with a chance

Tony Hawkins on Zimbabwe's move to take the adjustment medicine

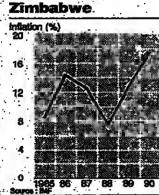
EW of the 30 odd sub-Saharan African coun-tries that have embarked on a World Bank structural adjustment programme have done so with a better chance of success than 16 Zimbabwe, the latest government in the region to start taking the World Bank medicine.

Zimbabwe has many of the qualities necessary for policy reform to work; its infrastructure has not been run down as ture has not been run down as in Ghana, Nigeria, Tanzania or Zambia, After South Africa and Nigeria it has the strongest private sector in the region and a relatively sophisticated indus-trial base.

It is not a mono-economy dependent on a single crop or metal, nor is its debt burden overwhelming, while its skills base is stronger than almost anywhere on the continent. Above all, it has not yet suc-combed to the aid addiction that is undermining private

states.
Whether these strengths will be enough for Zimhabwe to succeed remains to be seen. success remains to be seen. After the go it alone reform plan of Mr Bernard Children, finance minister, was aborted late last year, the programme was relaunched with strong World Bank backing in March. At a meeting in Paris, donors pledged \$70km for the first year of the five-year programme, which envisages trade liberalisation an end to wice controls. ation, an end to price controls, deregulating the financial sys-tem, and reducing the budget

But that money has not yet started to flow, while exports - other than tobacco - are under performing. Degressed babwe's commitment to metal prices and a serious reform. Tightening the mone-drought are threatening the tary and fiscal stance would projected 8 per cent growth in reassure doubtful denors and



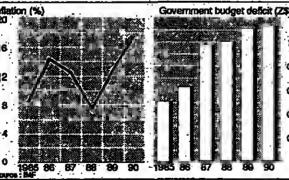
exports (in US dollars). Export hopes this year are almost totally dependent on tobacco; so far this season, leaf-prices, in US dollars, are 50 per

cent above last year's levels, but some merchants doubt whether this can be sustained. warning that when the US auctions open early next month Harare prices could fail. To close a widening foreign exchange gap, bridging loans

are being arranged with Barclays and Standard Chartered banks. But even with this costly commercial funding in place, the target of liberalizing trade to the point where 30 per cent of imports are on open licence by the end of 1991 is looking increasingly out of

reach.

Missing this target would be disappointing but far less sectous than a failure to get to grips with both inflation and the budget deficit. At the Paris consultative group meeting, it was evident that sevaral deposes were according of 2000. donors were sceptical of Zim-



belp curb an inflation rate which is already above 20 per cent on official figures and closer to 30 per cent on unoffi-

The danger is that when interest rates are raised, they will not go high enough because the government is wary of the political conse-quences – especially among thousands of homeowners with large mortgages. Meanwhile, consumer demand is huoyant, house and stock prices have soared and there are all the signs of a consumer-led boom, which is just what the country

does not need.

Donors will be watching the
July budget even more closely
than interest rates to see how far and fast Mr Chidzero is moving to trim the budget defi-cit and retrench civil servants. He is committed to halving the budget deficit to 5 per cent of gross domestic product and to shedding 26,000 public service jobs (a quarter of the total) by

With the programme calling for lower tax rates, the burden of deficit reduction will fall on spending cuts, supported by

higher revenues from customs duties as tariffs replace import controls. Cutting public spending will be a formidable task against a background of rapid inflation, escalating unemployment. ment - rising from around 250,000 at independence a little more than 10 years ago to an estimated 1.35m — and the need to provide drought relief, set against mounting political dissatisfaction.

Confidence in the programme is not being helped by

The pro-western general will replace Gen Mirza Aslam Beg, who took over as the army chief after General Zia-ul-Haq was killed in an air crash in

August, 1988. Gen Beg is due to

retire in August and has denied that he would seek to

gramme is not being helped by persistent rumours that Mr Chidzero, architect of reform, may not see the process through Even if he fails in his bid for the post of secretary-general of the United National Secretary to be decided.

Nations, due to he decided later this year, he is thought amious to leave his post.

With no elections dus until 1995, there is much to be said for vigorous early action, in the hope that the worst will be

past by then.
Above all, there is South
Africa. It is clear that future economic decisions about investment and markets in southern Africa will be made regionally. South Africa holds most of the aces - the larger market, the benefits of scale economies, more advanced technology, deeper and broader industrial clusters, and a supenor infrastructure.

The longer Zimhabws prevaricates, the greater the prob-ability that its efforts to diver-sify and expand exports of manufactures will be frus-trated by aggressive Sonth

African competition.
Since the growth of non-traditional exports is crucial to the success of reform in Zhmbabwe, Harare must steal a march on Pretoria while the

meet the foreign minister, Mr Fares Bweiz, before travelling dence, people coming back to invest here. And that inevitaon to Syria today. Missing in Lebanon are six Americans, four Britons, two Germans and an Italian. Most of them are believed to be held by pro-Iranian Shia

MR Douglas Hogg, the British foreign office minister, yesterday linked foreign investment in Lebanon to freedom for the western hostages. AP reports from Beirut.

Mr Hogg told reporters: "Clearly what this country needs is investment, confidence, people coming back to bly will not happen until all hostages are released." Before the release of the bostages, Mr Hogg said, "there will not be the confidence among the European people to come back, or the Americans, or even your own expatriates. So it's very important for the interest of Lebanon and the people of Leb-anon that this problem be

Earlier, the minister met Lebanese government leaders on the third day of his mission to secure the freedom of hostages held in Lebanon. Mr Hogg held separate talks with President Elias Hrawi, a Maronite Catholic; the prime minis-ter, Mr Omar Karami, a Sunni

WEEKS of intense speculation finally anded as Pakistan's President Ghulam Ishaq Khan yesterday appointed Li-Gen Asif Nawaz Janjna as new army chief-of-staff, writes Farban Bokaari in Islamabad. The way repeated will be tween the five sides of the prime minister, Mr Omar Karami, a Sunni Moslem; and Mr Hussein Husseini, the house speaker, and a strengthen the visit of the US. The way were transported as the prime minister, Mr Omar Karami, a Sunni Moslem; and Mr Husseini, the house speaker, and a strengthen the visit of the prime minister, Mr Omar Karami, a Sunni Moslem; and Mr Husseini, the house speaker, and a strengthen the visit of the prime minister, Mr Omar Karami, a Sunni Moslem; and Mr Husseini, the house speaker, and a strengthen the prime minister, Mr Omar Karami, a Sunni Moslem; and Mr Husseini Husseini, the house speaker, and a strengthen the prime minister, Mr Omar Karami, a Sunni Moslem; and Mr Husseini Husseini, the house speaker, and a strengthen the prime minister, Mr Omar Karami, a Sunni Moslem; and Mr Husseini Husseini, the house speaker, and a strengthen the sun the prime minister, Mr Omar Karami, a Sunni Moslem; and Mr Husseini Husseini, the house speaker, and a strengthen the sun the prime minister, Mr Omar Karami, a Sunni Moslem; and Mr Husseini Hu election

position after Rajiv Gandhi's assassination.
Though Congress seems cer-

get the co-operation of the peo-ple," he said.

stituencies because of malprac-But Mr Venkataram's

remarks were also seen as a for taking the initiative in pro-

Since Mr Gandhi's death,

.*RYANAIR*.

LONDON STANSTED

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UK NEWS

accelerate changes on insurance in Europe

By David Waller

BRITAIN will ose its presidency of the European Commission next year to speed up the implementation of a European agreement on the liberalising the market in life insurance services, Mr John Redwood, corporate affairs minister said yesterday.

Launching a consultative document on the EC's Third Life Insurance Directive, Mr Redwood said he welcomed the Directive's intention to balance prudent supervision for policy-holders with the need for an open market to give

people choice.

The directive, which will enable insurance groops to operate freely across the European Community according to their home countries' rules, their home countries rules, was formally adopted by the European Commission in Feb-ruary this year and was described yesterday by Mr Redwood as "the last impor-tant single market measure proposed for the financial ser-

vices sector He made it clear, however, that the UK would be taking a firm line in forthcoming nego-tiations to ensure that the market is properly liberalised. The government will seek to

ensure that customers' interests are looked after not hy detailed regulation bot by proper disclosure of the com-pensation arrangements avail-able to policy-holders.

It also wants the measures of the directive to include: freedom for composite insur-ance companies to offer their abolition of prior approval of terms of life policies by host state regulators, and; the avoldance of unduly restrictive investment controls.

The government's demands are likely to be challenged during the negotiations by countries such as Germany and Belgium, traditional opponents of of insurance liberalis-ation. The UK's line will be that regulators should oot get involved in investment judg-ments, but concentrate on the

rules of prudence.

Mr Redwood said the aim of the negotiations would be to reach agreement by the end of

Directive), Consultative Docu-ment 1991, Available from the Insurance Division, the Department of Trade ond Industry, Room \$18, 10-18 Victoria St., London SW1H ONN.

UK plans to Major ready to compromise on monetary union

By Philip Stephenn, Political Editor

MR JOHN MAJOR, the prime minister, confirmed yesterday that he expects to sign up to a compromise deal on a single European currency, hut was careful to offer the anti-Federalist wing of his party some tough words on the pace of

The latest episode in his delicate balancing act over Europe came as a leaked memorandum from the right-wing Bruges Group suggested that he was ready to cave in to pressure from other European leaders. The "private and confiden-

ial" note signalled the start of a campaign by the group a sup-porters among Tory MPs to persuade Mr Major to veto plans for European economic and monetary union (Emu). Facing a strong attack from Mr Neil Kinnock, the opposition Labour party leader, in the House of Commons, Mr Major did little to conceal his irritation with Mrs Margaret Thatcher's sponsorship of the group. She became its patron after stepping down as prime

In response to Mr Kinnock's charge that the memorandum had exposed deep divisions at the heart of the Conservative party. Mr Major denied that there had been any shift in the government's implacable oppo-sitioo to the "impositioo" of single currency. He repeated his view that the economic case for Emn had not been

made hy Britain's partners. The prime minister, however, suggested that he had lit-tle power to veto an agreement by other states to press ahead with progress towards a single currency. He said also that the government would remain fully engaged in the negotia-tions for the rest of this year,

Officials later reinforced the view that Mr Major is willing to accept a formula for Emn based on whet has become know as the "Delors" compro-mise. The proposal of Mr Jac-ques Delors, European Com-mission president, provides for Britain to agree the treaty changes necessary for Emu but to defer to a future parliament a decision on its participation. The government could then claim that there was no ques-tion of the "imposition" of a

single currency.

The message from the government yesterday was that Mr Major regarded Britain's influence at the negotiating table as more important than its theoretical right of veto. His view was that if that veto was exercised, the other 11 governments would simply bypass the Treaty of Rome and set up separate of the property of the pr arate arrangements for monetary union.

To evoid that Britain is willing to discuss in the intergov-ernmental conferences the details of all stages towards Emu. That readiness sparked reports from other European governments that Mr Norman Lamont, the chancellor, had softened his position at a meeting of finance ministers earlier this week.

Mr Major, however, remains determined to avoid being "bounced" into an immediate agreement on Emu at the Lux-embourg summit later this month. Officials insisted that a final decision on whether to accept the Delors compromise would depend on tha details thrashed out in the intergovernmental conference in the second half of this year. "We are not putting all our cards face up on the table", one com-

Lilley struggles to bloom as trade minister

Ralph Atkins on the prospects for the politician entrusted with industrial policy

R PETER Lilley, a trade and industry secretary described by opposition Labour predators and some Tory MPs as both a frightened rabbit and a rigorous intellectual, steps into the on-coming headlights this

A milestone speech on com-petition policy today, a House of Commons dehate on the recession tomorrow, and speeches to Welsh business-men and Tories oo Friday, offer the opportunity to prove he is a political heavy-weight or confirm the fears of a few Conservatives that he is a victim of premature promotion.

Mr Lilley, who is pushing

through the privatisation of Britain's Export Credit Guarantees Department, has yet to prove to MPs that he has the stature - on top of his recogniaed mental prowess -required of a Cabinet minister. He looks far younger than his 47 years and critics say his parliamentary performances have lacked flair or the confidence of an established parlia-

Sprung a year ago from relative obscurity as a Treasury minister to replace the self-combusting Mr Nicholas Ridley, he joined the Cabinet when the government of Mrs Margaret Thatcher was in dis-

Now, with Mr John Major pinning hopes of electoral recovery on an economic upturn, his Thatcherite "handoffs" policy appears misplaced to many Toxies worried about the recession. "I do wonder if be is beginning to develop into a liability " said one naually a liability," said one usually earnestly-loyal Tory hack-

Mr Lilley has so far left his imprint in strategic, but subtle, decisions. Foreign state-owned companies seeking to take over UK companies are being subject to particular scrntiny through fears of "nationalisa-



Caught in the headlights: Peter Lilley (above) negotiates the traffic in Downing Street

A further exposition of the "Lilley doctrine" will come in his speech today. He has won plandits from Tories for his stand on Gatt and in promo-

ting innovation.

Mr Lilley faces, too, the possibility of a takeover of Imperial Chemical Industries (ICI) by Hanson, the UK conglor ate, blowing into a political row to dominate the torpid atmosphere at Westminster

He has taken a characteristically non-iotervectionist stance. But one exasperated stance. But one exasperated Tory with an ICI plant in his constituency said: "If he can't say anything for legal reasons, what is the DTI doing there?" Despite shared beliefs in

Lilley is e different animal to Even Labour agree that what his predecessor. Whereas Mr Ridley reportedly asked on his Mr Lilley says is at least coher-ent; one official said his speeches, delivered by someone first day at the Department of Trade and Industry, What is this building for?" Mr Lilley has sought to define its role in ise, would make more head-Mr Lilley does not shy from his commitment to the ideology of the deeply Thatcherite
No Turning Back Group.

a series of speeches of which today's is the latest. "He is determined to create his own policy and put his stamp on the department in a studied way, and not rush in because people have been criti-cal," says Mr Michael Grylls, chairman of the Conservative backbench trade and industry

Sir Giles Shaw, former industry minister, says: "Ha shows a capacity to learn and change and that is very welcome in a cabinet minister."

comes off worst. "He just looks like a frightened rabbit," said one Tory MP One triend of Mr Lilley

admits his strengths, "do not lie in rumbustious bullying. . . he is a particularly ing. . . he is a particularly quiet and reflective person. His strength has always lain in his intellectual rigour and the courage with which he sticks to the line." He colleagues say he is expable of picking up the finest of details and in detecting irrepressing the constant of the co

ing inconsistency.

For some, his poor Commons performances are irrelevant. "You really can't judge e min-ister on whether he is clubbable or oot." says Mr Grylls.
"What you want is a minister
who develops the right policies. . He is not a man who is
interested in the soperficialities of political life."

But others privately believe his reticence is hindering his career. He rarely socialises at Westminster, backbenchers complain. "He needs to show that he is a political animal, that he is friendly and warm," said one ex-minister.

Their concern is that if he cannot work with backbench colleagues, how will he be able to work with businessmen? "He has got to be able to go up to a ciub of industrialists and say, 'look you lot, pull your finger out," says one Tory backbencher.

To an extent, Mr Lilley suf-fers from working aloogside like minded men. Mr John Red-wood, minister for corporate affairs, and Mr Edward Leigh, consumar affairs minister, have a similar No Turning Back Group Ideology and a similar outwardly cold exte-

not have the long ears and politically-sensitive noses of other ministers. To some at Westminster, it is as if they are more comfortable in the DTTs warren of offices, than open green benches of the Commons chamber.

Mercury faces £189m in costs

MERCURY Communications claimed yesterday that it was facing £189m a year in extra costs because it was a new competitor to BT, the telecom municatioo industry's dominant player.

The UK's Presidency of the European Commissioo in Brussels in the secood half of 1992 would belp in getting agreement, he said.

European Commission Proposal for o Third Life Insuronce Directive (The Life Framework Directive), Consultative Docu-Mr Peter van Cuylenburg, access charge for nsing its local oetwork

berg, its director-general, accepted that Mercury's argument had some validity. The

expectation is that he will oow modify his original proposals when he announces them in about two weeks but that he will oot abandon them com-

Mr van Cuylenburg said that Mercury faced a cost disadvan-tage vis-a-vis BT because it was a new competitor with a smaller market share. This meant, among other things, that equipment and capital cost more He said that this life-cycle

BT's claim to be facing an access line deficit. BT has argued that it is at a disadvan-tage because it is not allowed Oftel said Sir Bryan Carsby Oftel to increase its line the rate of inflation, plus two er cent a year. Mr van Cuylenburg also said he did not believe BT's claim that its access line deficit was as high as £2bn a year. BT, however, said it stood by that

 BT, the telecommunications group, has set up a fam seed capital fund to provide small amounts of equity and loan capital to oaw businesses in less prosperous parts of tha UK.

amounts of between £50,000 and £150,000 to fill a gap in funds available to small busi-oesses. It will take minority equity boldings in the busi-

British Gas threatened with legal action

By Deborah Hargreaves

COMPANIES planning to build two new power stations have issoed writs against British Gas over its failure to agree gas supply contracts. At the same time, Mr John

Wakeham, energy secretary, is understood to have met Mr Robert Evans, British Gas chairman, to discuss the power row which is threatening the government's plans for the development of greater compe-tition in the electricity genera-

tricity, which are planning to build a joint venture power station in Essex, and Thames Power, a consortium which plans to build a station at Barking, London, have issued writs in the High Court against British Gas.

These are largely a formality to maintain the companies rights in oegotiations with British Gas, but they reflect growing impatience on the part of tha power companies. "We are disappointed at the

"We are disappointed at the lack of progress with the negotiations," a Mobil official said.
"We made our expectations clear to British Gas and they haven't responded: the ball is firmly in their court."

Prittsh Gas was forced to

enter talks with the two projects by its regulator, the Office of Gas Supply, after it raised gas prices for new power projects by 35 per cent in March. But British Ges is wary of setting a precedent for other power projects.

For this reason, the two power projects may be forced to settle on gas at the new, higher price and recoup the

The great weakness is in pre-sentation. In the House of

Commons he appears nervous and unnecessarily brittle, as if caught in the glare of an fast

approaching car. While e Trea-sury minister he was rebuked by the Speaker after a bruising

run-in with a Labour MP. Against Mr Gordon Brown,

Labour's trade and industry spokesman and expert in politi-cal jousting, he frequently

difference in the courts.

The company raised the price of gas to stifle an upsurge in demand from the newly-privatised electricity. Industry which it saw no prospects of supplying. British Gas has also issued a writ against its regula-

"We hope that a solution can be found without recourse to litigation, but at the end of the day, that remains a possibil-ity," a British Gas official said.

tor in a row that could escalate

Mr Maicom Keay, deputy director general of Ofgas, said yesterday, the regulator would like the negotiations to be speeded up and for a realistic schedule to be put in place for other power customers. "We believe British Gas can supply these projects at a reasonable Mr Keay sald Ofgas is still

analysing data from British Gas oo power supply and had put proposals to the company, but is awaiting a response. nies in a series of swap deals which run until September 1992. The move is a way of encouraging competition in the gas market.

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occupy city's control centre

By Ian Hamilton Fazey, Northern Correspondent

INVERPOOL city council slid ment, it is the city's first-line further towards chase last defence against theff.

According to senior council officers, the professers "per-standardy occupied a control centre from which handreds of public buildings are guarded.

As moves to evict the group began, the council said weeks the council said weeks. As moves in evict the group began, the council said weeks of industrial action, prompted by the council's plan to shed 1,000 jobs, had left 12,600 tons of rubbish uncollected and

of rubbish uncollected and threatened the city's schedule for repaying its debts to banks and government bodies. The plan aims to reduce overstaffing and mefficiency.

Officials said council repair and maintenance workers were running out of materials because stores were help nick. because stores were being pick-eted. A strike by housing clerks has forced the council to spend £16,000 a week on bed-and breakfast accommodation for homeless families. The security centre occupied

yestarday controls closed cir-cuit TV and security alarms on more than 500 council build-ings, many of them schools. It also has direct lines to police stations throughout laverpool.
With more than £50,000 of advanced electronic equip-

Connecil officers plan to seek a court order today so that court order today so that police can event the occupiers. They failed yesterday to persuade them to leave quietly, finally issuing an ultimatum threatening legal action. "Our major concern is not to provoke them time committing damage." Mr. Ken Robinson, director of environmental services, said the occupiers were recognized by the evicted

recognised; by the evicted gnards as members of Liver-pool's "static" security force. This was a group of 150 men recruited during the period of Militant-led control of the city to serve in council offices. It functioned separately from the city's 120-strong pre-existing mobila security force, which continued to patrol buildings, linking with the con-trol centre when it was built.

Security guards Liverpool rocks to sound of strikes and bankruptcy

Ian Hamilton Fazey finds a city in financial chaos

NION leaders are try-ing to escalate their 10-week dispute with Liverpool city council over 1,000 redundancies by forcing the city to default on interest charges and debt repayments. The aim is to damage Liver-

pool's reputation in money markets and create a financial crisis which the unions hope might destroy confidence among creditors and drive the city into bankruptcy.
The move comes as selective

strikes and other industrial. action - which council managers say are sometimes enforced by intimidation — are beginning to bite.

12,000 tonnes of garbage

· council repair and mainte-

remains uncollected;

nance men are running out of materials because stores are • a strike by housing clerks has forced the council to spend £16,000 a week on bed and breakfast accommodation for

e rent arrears have risen by film to pass the £25m mark, and are still rising; newly-empty council flats and houses are being robbed of fittings and plumbing because they can no longer be made secure and watched prior to

reletting. Each will cost £15,000 to repair. More than 100 may be involved.

Council leaders stressed yesterday that they will not give in. They say that overstaffing and low productivity are making it impossible to run Liverpool efficiently and give people

Conceding to the unions, which are supported, and in some cases led, by members of Militant Tendency and the Broad Left, would make the city ungovernable. Both groups are Marxist dominated.

In the latest escalation attempt, clerks and supervisors in the city's treasury depart-ment are being balloted over striking to stop interest charges and capital repayments being made nn due

The city has total debts of more than £700m, with costs and repayments of about £100m a year.

Most money is owed to the

Public Works Loan Board for housing and other municipal building projects over several decades but other debts are to foreign banks, which bailed out the city during the finan-cial crises of the 1980s created by deliberate overspending by had 10 years of it in the depart-ment and on occasions there have been physical assaults,

A strike would also cause problems of treasury management, with the council failing to maximise any interest it might earn on cash balances. Mr Phil Kelly, the city trea-surer said: "The importance of

the city fulfilling its nbliga-tions is so great that it is unthinkable that we should not make repayments or meet interest charges on due dates.
"If a strike is supported and called, senior management will maks sure that Liverpool does not default. That will mean we would have no time for other work, such as trying to find ways of saving as many jobs as

we can, so any action will rebound right back on the

There are signs, however, of cracks in the unions' ranks. Mr Ken Robinson, director of environmental services, said yesterday that 148 men of the 362 in his department listed for compulsory redundancy bad secretly contacted officials asking to be paid off immediately.
"A lot of people are very unhappy about the dispute and the intimidation they have been facing. There is a general of intimidation. We have



Naked truth: uncollected rubbisb piles up

Mr Alan Dean, a Labour moderate and deputy leader of the council, said: "We have a redeployment scheme to try and minimise redundancies but people who have put in for other jobs have been 'visited' by some of their colleagues.

Nalgo [the local government union] in droves and jnining any other appropriate union where they won't feel threat-ened. The council's children's homes are being used as a political football and picketed. This is all about wbn runs

Unions offer 'realistic' pay line to Ford

By Diane Summers, Labour Staff

UNION leaders representing 32,000 manual workers at Ford, the US-owned vehicle manufacturer, yesterday said they would be taking a "realistic" line on pay this year in view of the company's difficul-

The oninns indicated that the settlement could be around the level of inflatinn - this could drop to 3 or 4 per cent by the time the negotiations are due to start in October. Ford pay talks traditionally form a benchmark for other motor industry negotlatinus and manufacturing pay gener

In return, uninns want to see a job security agreement, along the lines of deals done in the US and Europe. There bave been particular fears about the lnng-term future of the Hale-wood and Dagenham plants, although the company has said it has no immediate plans to reduce jobs in Britain beyond the 980 job losses announced earlier this year. A reduction in the working week from the current 39 bonrs and improvements to the pension scheme are also songht as part of the deal. Ford of Britain disclosed last month that it made a loss

- a pre-tax deficit of £274m - for the first time in 20 years.

BRITAIN IN

TWA staff act in Heathrow

strike threat

A majority of the 294 Trans World Airlines' staff at London's Heathrow airport have voted for strike action against the US carrier in against the US carrier in protest at the new terms and conditions they claim are being imposed upon them by their new employer. American Airlines which begins operating TWA routes to Heathrow next month.

American Airlines, one of the largest M. Sarriers 16.

the largest US carriers, is insisting that the 294 TWA staff at Heathrow sign new transfer employment with an end to union recognition. rican is taking over TWA's three main US-London

Advice on hospital care

Hospitals have been advised they must not agree contracts with GP fund-holders — family doctors who purchase their patients' hospital care from pre-allocated budgets — which would disadvantage other

patients.

Mr William Waldegrave,
health secretary, said he
expected that the guidance
would be "welcomed by
clinicians and patients alike."

Wales aims for electronics.

A new initiative to attract international electronics companies to Wales was launched by the government the Weish Develo Agency, the Cardiff Bay Bevelopment Corne Development Corporation at six local authorities.

The initiative aims to attract five major inward investments in the next 12 months. The project will run for two years and will have a marketing budget of

Law review of damages

W.N.

Lord Mackay, the Lord Chancellor, has asked the Law Commission, the government's law reform body, to carry out a fundamental review of

Announcing the Commission's law reform programme for the next two years, the Lord Chancellor said it would also conduct a thorough examination of the judicial review system.

R-R seeks land sale probe

Unions at Rolls-Royce called on Parliament to investigate on remainment to investigate the sale in April of a 284-acre Ministry of Defeace site at Leavenden, near Walford, to the aero-engine maker: two weeks before the company announced the closure of the plant and the sicking of its 2,000 workforce.

Obstacle in hostage release

One obstacle preventing the release of the British hostages in Lebanon was "the holding" by the Israeli government of Sheik Obeid and other

Lebanese hostages", a Conservative MP said. Prime Minister John Major reiterated the government's commitment to ending the ordeal of the hostages and said

Computer TV relaunched

The Computer Channel, which broadcast briefly on the British Satellite Broadcasting satellite last year is being revived on video cassette following a management

bny-out.
The specialist channel was designed to deliver both news and training films via satellite to the computer industry all 20 over Europe. The channel collapsed last November with the merger of BSB and Sky Televisium.

Jobs soar in tourism

More than 2m jobs in Britain are now supported by the tourism and leisure industries, says the English Tourist Board. About 160,000 new jobs were created between 1985 and 1989, making it one of the fastest growing areas of the economy.

Police case dismissed

Three police officers charged with conspiracy to pervert the course of justice were discharged by a London magistrate. The officers were charged in relation to interviews with Patrick Armstrong, one of the men known as the Guildford Four-The men, who had been convicted in 1975 after a pub was bombed in the Surrey this year by the Court of Appeal after evidence emerged of alleged malpractice by Surrey officers.

Pay cut threat prompts ballot An industrial action hallot of

Buses subsidiary has been called over a proposed 18 per cant pay cut. The cut is thought to be the largest ever sought because of competitive tendering on London bus

Bus workers and engineering staff held a disruptive meeting and are to be balloted on action this Friday. The TGWU general union said the company wanted to cut pay and lengthen working hours.

Building union seeks members

UCATT, the troubled construction union, launched a recruitment campaign on building sites throughout the UK in an attempt to fight off a threat to its membership base from the EETPU

electricians' union. Deatt officials have been told to visit every job or site where the union has members over the next fortnight. A letter is to go out to all Ucatt's 200,000 or so me



Control of the contro

FT LAW REPORTS

Parent company gets group relief

J SAINSBURY PLC Y O'CONNOR. Court of Appeal (Lord Justice Lloyd, Lord Justice lice Nourse and Lord Justice Ralph Gibson): May 22 1991

A PARENT company which grants an option to its joint venturer to buy 5 per cent of the shares in its 75 per cent-owned subsidiary, retains beneficial ownership in that 5 per cent while the certific is recent with the certific is recent. cent while the option is unex-ercised and can therefore claim group relief on the sub-sidiary's trading losses, pro-vided it is not bereft of all the benefits of ownership. And the option agreement is not an "arrangement" capable of depriving the parent of group relief if, though it affects rights of ownership, it does not affect rights attaching to the shares, such as the right to receive dividend if one is paid.

The Court of Appeal so held when dismissing an appeal by the Inland Revenue from Mr Justice Millett's decision that J Sainsbury pic was entitled to group relief in respect of trad-ing losses of its subsidiary, Homebase Ltd.

LORD JUSTICE LLOYD said that in October 1978 Sainsbury negotiated with a Belgian com-pany, GB-INNO-BM, to set up a joint venture company in the UK to develop a chain of home

improvement stores.
The intention was that shares should be held 70 per cent by Sainsbury and 30 per cent by GB. But in August 1979 it was realised that Sainsbury would not be entitled to group relief under the Income and Corporation Taxes Act 1970 unless the new company were a 75 per cent subsidiary.

By way of solution Sainsbury agreed to subscribe 75 per cent of the share capital and GB 25 per cent. By a separate

option agreement Sainsbury table owner. By equitable bury in relation to the 5 per granted GB an option to pur owner was meant inter alia the cent. chase 5 per cent of the share capital, not to be exercised within five years of incorpora-tion of the new company.

The option was not exercised. The option agreement was cancelled in August 1985. The issue was whether Sainsbury could claim group relief under section 258 of the 1976 Act

1970 Act.
Section 253 provided that relief for trading losses surrendered by one company in a group might be allowed to a member of the same group.
Two companies were deemed to be members of a group if one was the 75 per cent subsidiary of the other. iary of the other.

By section 532 a body corporate was deemed a 75 per cent subsidiary of another if not less than 75 per cent of its ordinary share capital was owned by that other. Subsection (3) provided that "ownership" was to be construed as "beneficial ownership".

The first question was whether Sainsbury was "bene-ficial owner" of the whole of its 75 per cent holding, notwith-standing GB's option to purchase 5 per cent.
Mr Justice Millett answered

Mr Justice Millett answered in favour of Sainsbury.

The concept of beneficial ownership originated in Chancery. In Ayerst [1976] AC 167,177, Lord Diplock said the archetype was the trust, where "legal ownership" was in the trustee but he held for the beneficiate in December. efit of beneficiaries. In Parany Estates 45 TC 135 Lord Justice Jenkins assimilated beneficial ownership with equitable own-ership. In I Congresso [1977] 3 WLR 778 Mr Justice Robert Goff hald that "beneficially owned" in the case of a ship referred to equitable owner-

ship.
So there was good authority
for the view that "beneficial
owner" of shares, when used in a statute in contrast to the reg-istered holder, meant the equi-

purchaser under a specifically enforceable contract.

If that test were applied, GB was not equitable owner since it could not claim specific per-formance until it had exercised its option five years after incorporation, namely November 12 1984. It followed that equitable ownership in the 5 per cent mained in Sainsbury. It was difficult to see how equitable ownership could become severed from legal ownership unless it passed to somebody

If beneficial ownership meant equitable ownership for the purpose of the act and if equitable ownership had not yet passed to GB, Sainsbury never ceased to be beneficial

But Mr Park relied strongly on Wood Preservation Ltd v Prior (1968) 45 TC 112 which concerned a contract of sale containing a condition for the sole benefit of the purchaser, which he could therefore waive it was held that the ven-dor did not remain beneficial owner until the condition was withdrawn. He ceased to be neficial owner when the contract was made.

Lord Donovan concluded it was possible for property to lack any beneficial owner for a time. Lord Justice Harman said that after accepting the offer the vendor was mable to deal with the property in any way and there was no benefit in its ownership. He said "it was a mere legal shell".

The court was bound by

It followed that the first question could not be decided that beneficial and equitable ownership were the same, and that since Sainsbury retained equitable title it was beneficial

owner. Instead the court must look into the nature and extent of the rights retained by Sains-

If Sainsbury were bereft of all rights which would normally attach to those shares so that ownership was nothing more than a "legal shell", then the court would be bound to hold that it was not beneficial owner, though rights which would normally attach to the shares had not yet passed to

Mr Park submitted that that was the position. He relied on three factors. First, Sainsbury had no right

to dispose of its shares prior to November 12 1984 without GB's Rovember 12 1964 without of sconsent. Second, it had no expectation of dividend prior to November 12 1964, since payment was in Sainsbury's and GB's joint control, and GB would have been unlikely to agree to payment while its option remained outstanding. Third, the price at which GB was entitled to purchase the shares under the option was shares under the option was
the amount paid up plus interest, less the amount of any divdend paid meanwhile. So if the
option had been exercised
Sainsbury would have been
deprived of any increase in
value of the shares. It would
have accrued to GB.

The first two factors applied not only to the 5 per cent, but also to the remaining 70 per cent. It could not possibly be argued that Sainsbury was not become a state of the could be a super cent.

The third factor made no difference. The fact that the amount of any dividend would have been deducted from the option price did not mean Sainsbury was not beneficially entitled to the dividend in the

meantime.
Its rights in relation to the shares were more than a "mere legal shell". Wood Preservation did not apply.

The first question was answered in favour of Sains-

The second question was

whether the option spreament was an "arrangement" within the meaning of perspects \$(3) of Schedule 12 of the Finance Act 1973. If so, Skinsbury would lose the benefit of group would lose the depent of group relief by virtue of section 25 of that act, which provided that for group relief to apply the parent must be beneficially entitled to 75 per cost of the subsidiary's dividents.

Paragraph 5(3) provided that if an equity-holder held shares in respect of which "arrange-ments" existed by virtue of which, in that or any subsequent accounting period, his entitlement to profits could be different to his entitlement if effect were not given to the arrangements, it was to be assumed that effect would be

assumed that effect would be given to the arrangements in a later accounting period.

For paragraph 5 to operate the arrangement must affect rights attaching to the shares. The option agreement was an arrangement which could affect ownership, but it could not affect rights attaching to the shares.

The fact that those rights would have accrued to the ben-

would have accrued to the ben-efit of GB and not Sainsbury if the call option had been exercised was beside the point. The paragraph was not concerned with a reduction in the overall right to dividend, but with the reduction in the right to dividend attaching to particular shares. That was the plain meaning of the words.

The second question was answered in favour of Sains-

The appeal was dismissed. Lord Justice Nourse gave a concurring judgment. Lord Justice Ralph Gibson agreed. For the Revenue: Andrew Purk QC and Launcelot Henderson and Revenue solicitor). For Sainsbury: Peter Whiteman QC and Brian Green (Dentor Hall Burgin & Warrens).

Rachel Davies

Swissair Customer Portrait 67: George Klarsfeld, cosmetics executive, with Nicolas and Charlie, New York, photo by Pamela Hanson.

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Notice is hereby given pursuant to Condition 5 (C) of the Terms and Conditions of the Bonds that as a result of the Issuance of U.S.\$370,000,000 4 per cent. Notes 1995 with Warrants and DM 600,000,000 4 per cent. Bonds of 1991/1995 with Warrants by the Company on 31st May. 1991 with the initial subscription prices per share of Yen 1,487 determined on 21st May, 1991, being less than the current market price per share of Yen 1,587,70 as at the date of such issues, the Company has adjusted the Conversion Prices of the Bonds as follows:

U.S.550,000,000 6-¼ per cent. Convertible Bonds Due 1985
 Conversion Price before adjustment: Yen 529,20
 Conversion Price after adjustment: Yen 526,40:

2. U.S.\$50,000,000 7 per cent. Convertible Bonds Due 1997 1) Conversion Price before adjustment: Yen 537,70 2) Conversion Price after adjustment: Yen 534,90

3) Effective Date of the adjustment: 31st May, 1991 3. U.S.\$100,000,000 3 per cent. Convertible Bonds Due 2000 1) Conversion Price before adjustment: Yen 1,182.70
2) Conversion Price after adjustment: Yen 1,176.50
3) Effective Date of the adjustment: 31st May, 1981

CANON INC.

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CANON INC.

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Warrants issued with U.S.\$300,000,000 3 % per cent. Note:
1) Subscription Price after adjustment: Yen 1,211.80
2) Subscription Price after adjustment: Yen 1,205.50
3) Effective Date of the adjustment: 31st May, 1991

2. Warrants issued with U.S.\$200,000,000 3 % per cent. Notes 1) Subscription Price before adjustment: Yen 1,211.80
2) Subscription Price after adjustment: Yen 1,205.50
3) Effective Date of the adjustment: 31st May, 1991

Warrants Issued with U.S.\$1,000,000,000 4% per cent. Notes 1) Subscription Price before adjustment: Yen 1,398.20 2) Subscription Price after adjustment: Yen 1,390.90 3) Effective Date of the adjustment: 31st May, 1991

12th June, 1991

CANON INC. 7-1, Nishi-Shinjuku 2-chome

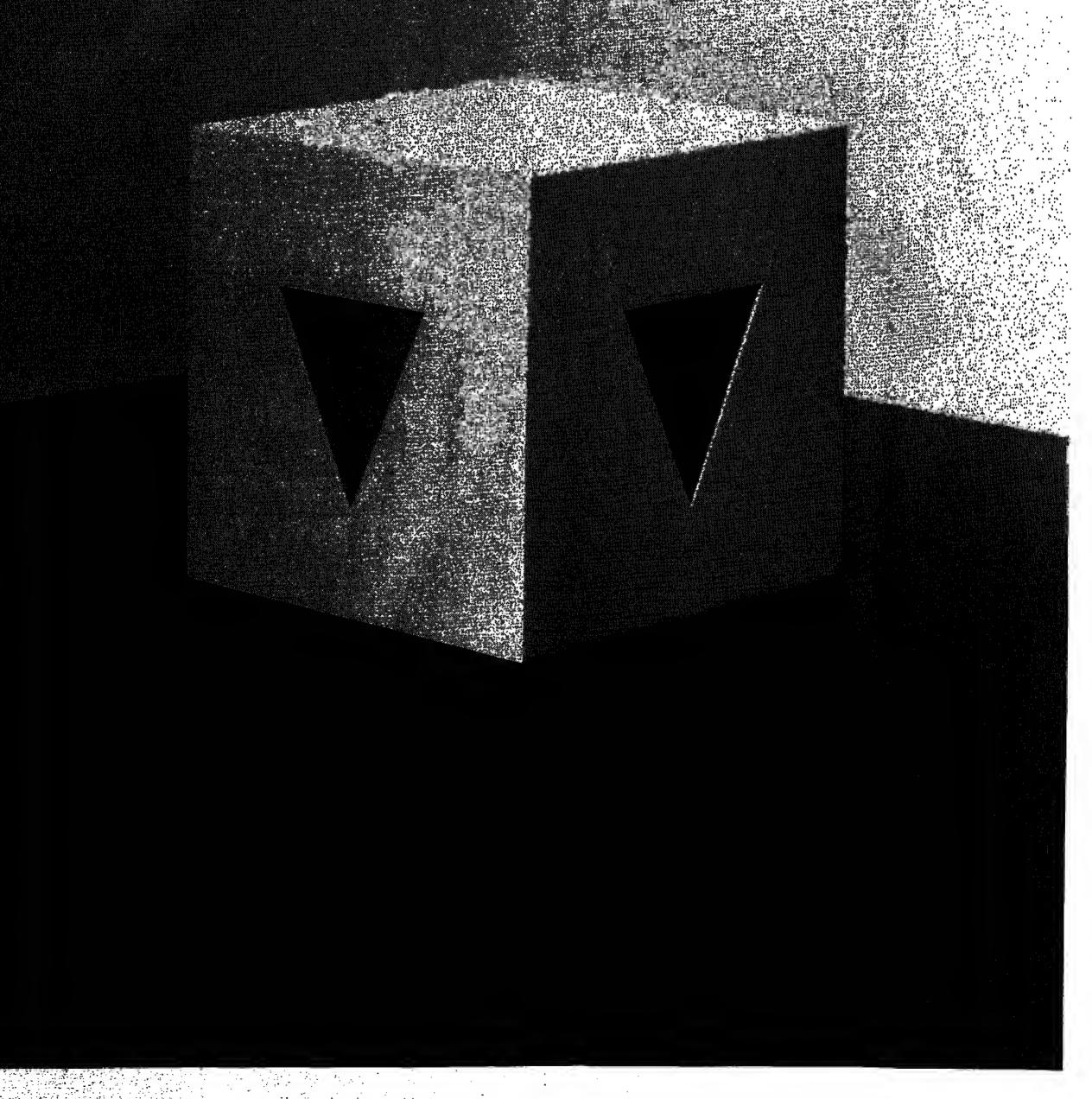
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FT SURVEYS

in the little solution.



Metallgesellschaft

Time for a pause in a flurry of activity

The acquisitive German group is seeking to increase its technological base and its 'green' activities. Andrew Fisher reports

et Metaligesellschaft, the once staid metals, mining, engineering, and chemicals group. No longer do executives hurry home to catch the early evening cocktail hour in the Taunus hills outside Frankfurt.

Setting the demanding pace is Heinz Schimmelbusch, a mercurial 46-year-old who mercurial 46-year-old who became chief executive two years ago. While some managers may find his whiriwind energy and hard-driving style rather wearing, there is no doubt that his lively enthusiers marks a refreshing and asm marks a refreshing and irreverent contrast to the cautious, understated style of most chief executives in Germany.

In recent weeks, Metalige-sellschaft has bought the Zim-mer chemical fibre plant manufacturer from Davy Corporation of the UK and helped to finalise plans for the clean-up and rehabilitation of a clean-up and renabilitation up a big slice of eastern Germany's polluted industrial landscape. Along the way, Dsimler-Benz snapped up 10 per cent of its shares when Dresdner Bank decided to reduce its holding to 13 per cent. This unexpected move by Germany's largest

industrial group was e clear vote of confidence. Nor was this latest flurry of activity anything new. Over the past year and a half, it has floated off a minority of its recycling subsidiary, Berzelius Umwelt-Service (BUS), raised BUS's stake in Horsehead Resource Development, a US recycling specialist, to 45 per cent, bought the Lentjes energy and environmental technology company, and lifted its holding in MIM Holdings, the Australian mining group,

from 4 to 10 per cent.
There have been other deals, too, as Metaligesellschaft has songht to widen its technological base and give its "green" activities a stronger impetus. The Austrian-born Schimmelbusch expounds in an animated fashion about all of these moves, whether in his office or in his favourite Italian restaurant. He waves his arms in emphasis, jumps up from his chair to draw diagrams, and grins delightedly es he explains strategic highlights. He becomes especially excited when the subject is the

group's rapid growth in the fields of recycling and environ-mental clean-up or its plans in how more aggressively. In its last financial year to Septem-ber 30 1990, net profits jumped by 28 per cent to DM262m on virtually unchanged turnover of DM262m. eastern Europe, where it has long-standing engineering and trading links, especially in the Soviet Union. Daimler's stake reflects its interest in both

Even Schimmelhusch thinks it is now time for Metallgesellschaft to take e breather. "You have to draw a balance between collecting new tentpoles and putting up the tent," he says. "There is a constant struggle to make acquisitions scriggie to make acquisations work; We are aware that we must be careful not to over-strain the company's ability to manage its operations." Thus he foresees greater short-term emphasis on project work and internal investment and less or acquisitions. on acquisitions.

aspects; it wants closer access to carrecycling techniques and is keen to join in the conversion of Soviet defence industry plants to peeceful uses.

(Another big shareholder is

Ruwalt with around 20 per

keted its environmental know-

When Schimmelbusch joined the board 10 years ago - he has been with the company for 20 years - Metallgesellschaft was a lackhastre collection of

was a meaning consensor of metal-processing plants, mines, and engineering operations which had fallen on hard times. It did well in the 1970s, but then made big losses in At the same time, he wants to be alert for new opportunities. The group was quick to snap up Zimmer when Davy's problems caused it to put it up for sale, along with Davy-Bamag, a builder of water and waste treatment plant, Metall-procellegate thought both for metals trading, manufacturing, and plant construction, and omitted dividends between gesellschaft bought both for around DM230m. They will fit in neatly with the activities of Lurgi, its big industrial plant Since then, Metaligesell-schaft has shed loss-makers such as e big metal-forming plant in Frankfurt, streamlined and decentralised its managemanufacturer. ment structure, developed its international links, and mar-

The way the Zimmer deal took place and the group's plans for its new acquisition

Heinz Schimmelbusch: a balance between collecting new poles and putting up a tent neatly illustrate Schimmelbusch's way of doing business.
Kirstly, there was the speed of
the transaction. Metallgesellschaft had had its eye on Zimmer, also based in Frankfurt, for some time. So when the opportunity came, it moved

fast, edging out other intersted companies. In this Schimmelbusch was helped by the fact that he knew Sir Alistair Frame, the chairman of Devy, in his capacity as chairman of RTZ, the mining concern. Schimmelbusch's relatively high profile, compared with many of his counterparts in German induscounterparts in German industry, is to his advantage when trying to keep abreast of new opportunities. His open approach is also e legacy of the two years he spent in Wall Street investment houses, something the former economics teacher at Tühingen University insisted on when joining Metallgesellschaft.

There are times when you want to work on the synergies from previous acquisitions," he says. "But when e company like Zimmer comes along, you have to take it, or else the competition will." Because Zimmer has a strong position in the market for chemical fibre

plants, much of which is in the Far East, inden it which is in the Far East, it will keep its iden-tity within the group. Thus Zimmer, also involved in plas-tics recycling, will not be swal-lowed up by Lurgi, but become a separate unit in the subsidiary, keeping its own name and

management.

Although Schimmelbusch has presided over e considerable expansion in Metallge-sellschaft's core activities, he is wary of creating subsidiaries that are too hig. "The optimum size of e manageable unit is much smaller than people think. Setting large monolithic organisations into motion and setting them to act entreure getting them to act entrepre-neurially can be painful. You have to watch the limits of growth." Small businesses grow faster, he notes. "We are trying to simulate the entrepre-neurial spirit of many small

companies".

At the top of Metaligesell-schaft are two central divisions. One is Lurgi which, with a turnover of DML8bn in 1969-90, forms the engineering services division. The other is trade and financial services which account for more than which account for more than half of turnover and include dealing in ores, metals, and chemicals, as well as its bank, Metallbank; low metal prices and the low dollar hit profits of this division in the first half of

Below this level are eight operating sectors: BUS, Lentjes, Norddeutsche Affinerie (copper), Rheinische Zink (zinc), Leimkering (transport), chemicals (Sachtleben Chemic and Chemetall), Kolbenschmidt and Chemetall), Kolbenschmidt (motor components), and Metall Mining Corporation (MMC).

As well as BUS, both Kolbenschmidt and MMC are
quoted companies, the latter in
Toronto. MMC, which includes
the group's US, Canadian, and
other mining holdings, had a
hard time last year as a result
of low prices and smelter probof low prices and smelter prob-lems et Vancouver-based Cominco. Kolbenschmidt is also suffering lower profits in the chillier economic climate. In the first half of this finan-cial year, Metallgesellschaft's pre-tax profits were down by 28 per cent. "This is not surprising considering the general economic climate," Schimmel-busch calmly told the annual

meeting. Analysts expect e

much better second half, now the damaging effect of the Gulf war on economic confidence has receded. Even so, the downturn emphasises that the group is attil vulnerable to metal prices, the vicissitudes of the mining industry, and

adverse currency movements.
This makes it even keener to stress its "green" ambitions, something it does assiduously among the investment commitamong the investment commin-nity. Although its BUS recycl-ing operation is already a quoted company, it is still developing its ectivities, centring mainly on the repro-cessing and resale of waste from steel and aluminium manufacture. Turnover should be around DM100m this year and grow sharply in future. There are also considerable

environmental activities in Largi, which plans to float off part of its environmental unit, Largi Unwelt-Beteiligungsge-

sellschaft (LUB). Currently, LUB has DM200m worth of soil decontamination worth of soil decontamination business. Jens-Peter Schaefer, Lurgi's chief executive and a Metallgesellschaft director, reckons LUB could be kept busy for the next 20 years with business in Germany alone, especially in the east Lurgi and BUS will play important roles in the east German project at the metal-producing area of Mansfeld, which Schimmelbusch was instrumental in arranging with the Treuhand (the east German privatisation east German privatisation agency), the Bonn government, and the state of Saxony-

Annat.

If this trail-breaking venture proceeds beyond the study stage, it could involve business worth DM1bn or more to Metallgesellschaft and its partners, Schimmelbusch does not want to go too quickly on this complex project, "otherwise it will become unmanageable and

win become unmanageanic and fall apart".

For Metallgeselischaft, Mans-feld would provide a ready-made site, something that would take years to get approved in west Germany. It would also draw on the group's full range of industrial skills and serve as a model for the reconstruction of other parts of east Germany and eastern Europe - something which really produces e gleam in lbusch's eyes.

One way to run a railway

By Christopher Lorenz

It is a relatively simple It is a relatively simple set-up, with a single terminus et one end and separate a transches to three destinations at the other. You operate a schedule with a train every two minutes, to each of the three destinations in turn, so that each is exceed every str that each is served every six minutes. But your rolling stock is get-

ting old and unreliable. A shortage of funds is forcing shortage of funds is forcing you to run the system without spare capacity. Some of your crews have a natural human habit of falling sick or arriving late for work. Overcrowding at several stations also tends to make trains run late, as do intermittent safety emergancies of priving kinds. encies of various kinds.

As a result, there is a tendency for gaps to appear in your service - sometimes knocking-out, or delaying, up to five successive trains to one destination, so that passengers to it may be faced with a wait of well over half an hour. What do you do? The long-term solution is

obviously to beg, borrow or earn more money to replace the trains and increase their number. But, even if you can raise those funds, you are left with an interim problem which will last several years.

The schoolboy answer to the immediate difficulty is pretty obvious: to run the system obvious: to run the system more flexibly, plugging big gaps in the service to one destination with a train originally bound for one of the others and telling passengers why.

In real life, London Underground faces, such washlesses. ground faces such problems frequently, to judge from first hand experience, not merely on its most notorious service, the

north-south Northern Line (known for decades to regular users as "the misery line"), but also on supposedly reliable routes such as the east-west District Line.

Sometimes the once hide-bound managers of the Under-ground seem to have learned to

behave like schoolboys, and plug gaps in the obvious way described. But far too seldom. When such manifest incompetence occurs so often, one

magine you have achieved every (middle-aged) schoolboy's dream:
In a relatively simple up, with a single terminus

must dispute the conclusion which some people drew from last week's Monopolies and Mergers Commission report, that only more cash can really which London surrers. The Commission made 114 recom-mendations for various management improvements.

So long as the Underground continues to be underground — and for several years beyond, while the results of new investment come through — the solution must be to turn the problem into an opportu-nity: to abandon the presence of normality and operate the service much more fierfully, as service mach mare harmy, as if abnormality was a common occurrence, or even the norm. In the wider world of management, all sorts of organisation are learning to do this in the face of unstable environments of various kinds - regulatery of the control of the co latory, economic, competitive or even climatic.

A long way to go This is no easy task in an

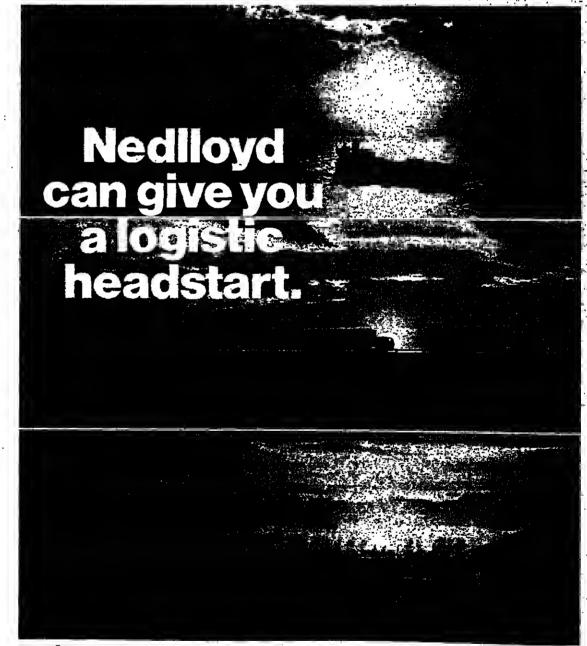
This is no easy task in an organisation so relatively poorly skilled at all levels in the past as London Underground. For a more flexible approach to be both feasible and effective, without creating chaos, middle and junior management must be properly trained and then fully-empowered to take quick decisions at a low level, rather than still having to refer upwards in traditional public sector style.

The Underground has already taken a step in this direction by decentralising the management of its various lines. As the MMC report also pointed out, a "total quality management" programme is also starting to reach front-line staff. But the quality of "normal" service, let alone the response to "abnormal" problems, shows that there is still a long way to go.

If the Underground can respond to this challenge—and some of the decisions involved really are—quite schoolbovish—than its cus-

involved really are quite schoolboyish — then its customers will enjoy a metch more reliable ride. And, who knows, the organisation could even become e menagemen for others to emulate. Dream or nightmare?





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KPMG undertakes its own green audit

t is at first difficult to see the connection between the appearance of green bins in the London offices of KPMG Peat Marwick McLin-tock and the instruction from the firm's senior partner in charge of south-east Regland. charge of south-east England. Colin Sharman, that no memo may be issued on general circulation without permission.
Each represents part of the firm's two-pronged initiative to reduce paper consumption and recycle its waste paper.

These schemes were once the preserve of idiosyncratic

the preserve of idiosyncratic businesses and voluntary organisations. But now bigger companies, including IBM, BT and British Gas, are recycling and conserving paper too.

Most do it as part of a commitment to improve their environmental performance – considered by most companies as a business necessity. KPMG has demonetrated that paper recycling schemes can both save and make money.

The programme, started as a pilot in August last year, now

pilot in August last year, now collects ebout 80 tonnes of high-grade white office paper from the firm's 4,000 employees located in seven London

The paper scheme is part of the firm's Green Code, e policy designed to improve its environmental performance by reducing waste, cutting energy consumption, using environ-ment-friendly products and reducing pollution from its

While the code represents a genuine commitment to reducing its environmental impact, the firm'e management consultancy now also offers an envi-ronmental service. Its success at achieving its own green targets is important to the mar-keting of this service. Besides Sharman'e directive

on memos, other measures bave been taken to reduce paper consumption. All papers prepared for the board are cop-ied on both sides. Photocopiers capable of double-sided copying have been installed and these models will eventually replace most of single-sided

copiers, "There is a downside here," says Martin Houldin, who is in charge of green issues. Dou-ble-sided copiers are mechanically more complicated and also take a longer time to produce copi

Sharman has also instituted

a "Friday Bulletin" on the computer network. This is an electronic newsletter delivered to computer screens. Most paper memos which used to be circulated to all the staff via the post room are now delivered electronically on the bul-

Sharman's commitment to the scheme has helped to drive it along. He has been known to call managers into his office to question the need to circulate some memos. "Most of what we do is by facilitation and dem-onstration," says Houldin.

Waste paper is deposited in special green plastic bags suspended on simple metal frames. Cleaners collect the bags when full and leave them for collection by Papercycle, a company contracted to remove it for recycling.

Papercycle offers a recycling consultancy and a free collection service for companies with eufficient volume. It makes its money by selling the paper on the scrap market. Because of RPMG's high volumes. Paper. RPMG'e high volumes, Paper-cycle pays for the paper on a scale linked to the markat

When the scheme began high-quality scrap paper was reaching about £40 a tonne. This has now dropped to about \$20 a tonne, although Paper cycle's managing director, Colin Crooks, expects the price to increase as the market for recycled paper improves.
Even with the current low

prices for scrap, KPMG expects its scheme to break even within the next six months. All subsequent profits will be given to charity. But the firm is also expecting real savings from its moves to reduce the olume of paper used. Houldin stresses that the

success of these schemes depends on efficient organisation and a high awareness among staff. The aims of the scheme are communicated at

Sharman sees the process as evangelical. Although many staff are already keen to save and recycle paper, most start off as agnostics. A manager's job is to take them through the process of becoming converts and finally zeelots. The zealots then continue the education process within the office, reducing management input.

Peter Knight



Clive Cookson reports on schemes to combat urban colour pollution

clour pollution is a term coming into vogue among landscape archi-tects. It does not refer, as one might expect, to pollution of rivers and watercourses by dye and pigment manufacturing, but to the ill-considered use of colours on buildings. Most shopping streets in the indus-trialised world contain glaring examples a grady shop fronts examples - gaudy shop fronts clash with one another and overwhelm the traditional

local environment. "While most of us have welcomed the colour revolution that has followed the grey austerity of the post-war years, it is also to be deplored for the confused and meaningless messages it can sometimes con-vey," says Michael Lancaster, vey," says Michael Lancaster, architect and colour specialist.
"In this sense colour can be regarded as a potentially distributed and polluting force."

The problem is a result of the explosion of synthetic colours produced by the chemicals industry. More than 3m colours have been synthesised

colours have been synthesised and 9,000 are currently in production. Although the chemicals industry is indirectly responsible for colour pollution, it is also beginning to see the problem as a potential mar-keting opportunity.

Akzo, the international paint

company based in the Nether-lands, is leading the way. It is working with cities across Europe to develop "coherent colour palettes" for their buildings, based on local traditions. Turin in Italy has the most extensive scheme, says Cees Groenewegen, special projects manager at the Sikkens Foundation, Akzo's colour research organisation. Over the last 10 Goodbye to grey

years the owners of 10,000 buildings in Turin have agreed to follow the approved colour scheme. In exchange they receive a paint subsidy from the city government.

A large project is now under way in Barcelona, Spain. And Akzo is starting a alightly smaller colour scheme in Norwich, England. The Barcelona project is

using first on the Rambla, the city's promenade which the poet Garcia Lorca called the most exciting street in the world." The excitement is still there - the Rambla is always thronged with people and cars

but tima, pollintion and
tacky commercialisation have
taken their toll. Most of the
original colours have been lost.

Now e mixture of Catalonian
pride and the imminence of the 1992 Olympic Games have prompted the city to restore the façades of the Rambia's

100-plus buildings to their for mer glory. Research work started in 1989, as a co-operative effort involving Akso, the city and several local architectural and art-historical bodies. The first phase was to collect detailed information about the way the Rambia used to look, from old

drawings, early photographs, paintings, letters and accounts of early travellers, at the same time the existing facades were

time the ensuing tacades were analysed to show what lay beneath the modern coatings. After establishing the col-ours and textures appropriate to selected buildings, compre-hensive elevations were created and coloured in to dis-cover the overall effect on the Rambia. This procedure led to a recommended range of col-ours: 26 for stucco facades, 11 for those on which lime paints had been used, and seven for "sgraffito" (the technique in which layers of different col-oured plaster are selectively removed to create a multi-col-oured bas-relief effect). Most of the colours are in the yellow-

brown-red range.
Work started on the Rambla's first five buildings in April and the city hopes to fin-ish the work before the Olympics. It will then move beyond the Rambia to an amhitious scheme for most of the city. The Norwich project is also starting with a small historic area.—Elm Hill, which was founded by Dutch wool traders.

Akzo worked with the city.

council to draw up a draft "pal-eite for Norwich" which is now

being applied to the 30 buildings of Elm Hill – all owned by the council.

The city expects to finish recolouring Elm Hill by the end of this year. It will then move on to Timber Hill, where council-owned property is being redeveloped with commercial developers.

developers.

In Elm Hill and Timber Hill the city can impose the palette as the owner of the properties. In the third area — around Norwich marketplace — it will have to persuade private owners to use the amount colers to use the approved colanyone to use the colours or to use Akzo paints," says Tim Anderson, the city's informs. tion officer.

Eventually there will be a

pelette for the whole of Nor-wich, adapted to suit the his-torical character of each area. In Market Square neutral col-ours are favoured, to suit the classical architecture and to classical architecture and to act as a backdrop for the strong colours of the market stalls. "In Elm Hill richer colours could be employed, especially in Tudor style," says Brian Robson, head of Akzo'e UK colour design team.

As Robson observes, "a project of this nature must invariably go far beyond design elements. We become involved with social and political issues. We need to reconcile the often conflicting views of personal

We need to reconcile the often conflicting views of personal freedom and social obligation.

The philosophy behind the sitack on colour pollution is summed up by the French colour theorist Jean Phillipe Lenclos: "If you want to paint the outside of your house, get your neighbour to choose the colours."

Chile puts a value on its waste water

By Leslie Crawford

ntil recently, the waste water from copper mines was considered an ecological hazard. The water, used to slush away thousands of tounes of sterile rock after the red metal has been extracted, contains high concentrations of sulphates, molybdenum and copper. It is unsafe to drink, expensive to treat and generates by far the biggest disposal problem for mining companies concerned

with the environment. But a pioneer project in Chile has just won an American environmental award for showing that the waste water, known as tailings effluent, can be safely used to irrigate crops. It has channelled the waste water of El Teniente, the larg-est underground copper mine in the world, to transform the dry Caren Valley in central Chile into a verdant patchwork of fruit orchards and vegetable

El Teniente, located high up in the Andes, processes about 100,000 tonnes of ore per day. There is no space in the mountains to store the waste rock (tailings) so it is mixed with water and slurried down the

rugged terrain to a new dam in the Caren Valley. Recycling the water is not possible because of the difference in height between the tailings dam and the mine. Nor is it feasible to treat the effluent, as the dam discharges the

waste water at a rate of 1,500 litres per second.

Originally, the state copper corporation Codelco planned to release the waste water into a stream that flows into a large hydroelectric reservoir. But US environmental consultants Dames & Moore proposed a dif-ferent solution: why not use the efficient for agriculture, transforming the waste water into a valuable resource for the

berren valley? Codeleo was enthusiastic. It established a 10-hectare experimental farm with crops known to tolerate matals and sulto tolerate matais and surphates. The original crops included alfalfa, wheat and corn, and the encouraging results prompted further trials with saparagus, beans, green peppers, onions, melons, necontaines and pears. Cattle, sheep and rabbits are also reised on the experimental farm.

Jaima Illanes, Dames

Moore's chief consultant in Chile, believes the Codelco project is the first acientific study into the use of univested talings efficent in agriculture.
"All the products of the farm
milk, mest, truit and vegetahies - as well as the quality of the soil, are monitored for the concentration of metals," he

says.

After four years, the results are encouraging. Only beans and chillies are not safe to eat. In other crops, the comper and molyhdenum appears to con-centrate in leaves and stalks, rather than in the edible parts.

rather than in the edible parts.

The experimental farm earned Dames & Moore an Engineering Excellence Award from the Consulting Engineers Council of the state of Utah. After four years of rigorous quality control, Codelco is now ready to the montrolists. ready to test productivity on a commercial scale at a larger estate in the Caren Valley.

"So far we have had very high yields with alfalfa, while other crops are growing normally," says Bertolome Alfaro, the environment control manager at Codeico's El Tenleme division.

Allam is travalling to Europe

Aliaro is travelling to Europe this month to present the results of another novel envi-ronmental project the refores-tation of old tailings dams which had been previously considered too sterile and acid

Considered not seems and active to hear plant life.

But after a 10-year effort, Aljaro has succeeded in creating a small forest in a section of the Canquenes tailings dan. There are now 34 different thinks and the canquenes should not be the canquenes about the model. tinds of trees, shrubs and grasses growing there ever-green cypresses, excalyptus, pine, rosemary bushes, acacias, as well as wheat and burley.

as well as wheat and burley.

At first, careful irrigation and treatment of the soil was needed, but now Aliaso says that the 23-bectare site has developed an ecosystem of listown. "What we have been able to prove is that one can reforest almost any kind of tailings days over ones repridered."

rest almost any kind of tailings dam, even ones considered totally sterile," he says.

El Salvador, a Codello copper mine in the Atacama desert, is now keen to start its own irrigation and referestation schemes. Although El Salvador will have to find ways to counteract the extreme salinity of the desert soil, Aljavo says. "Nothing is impossible."



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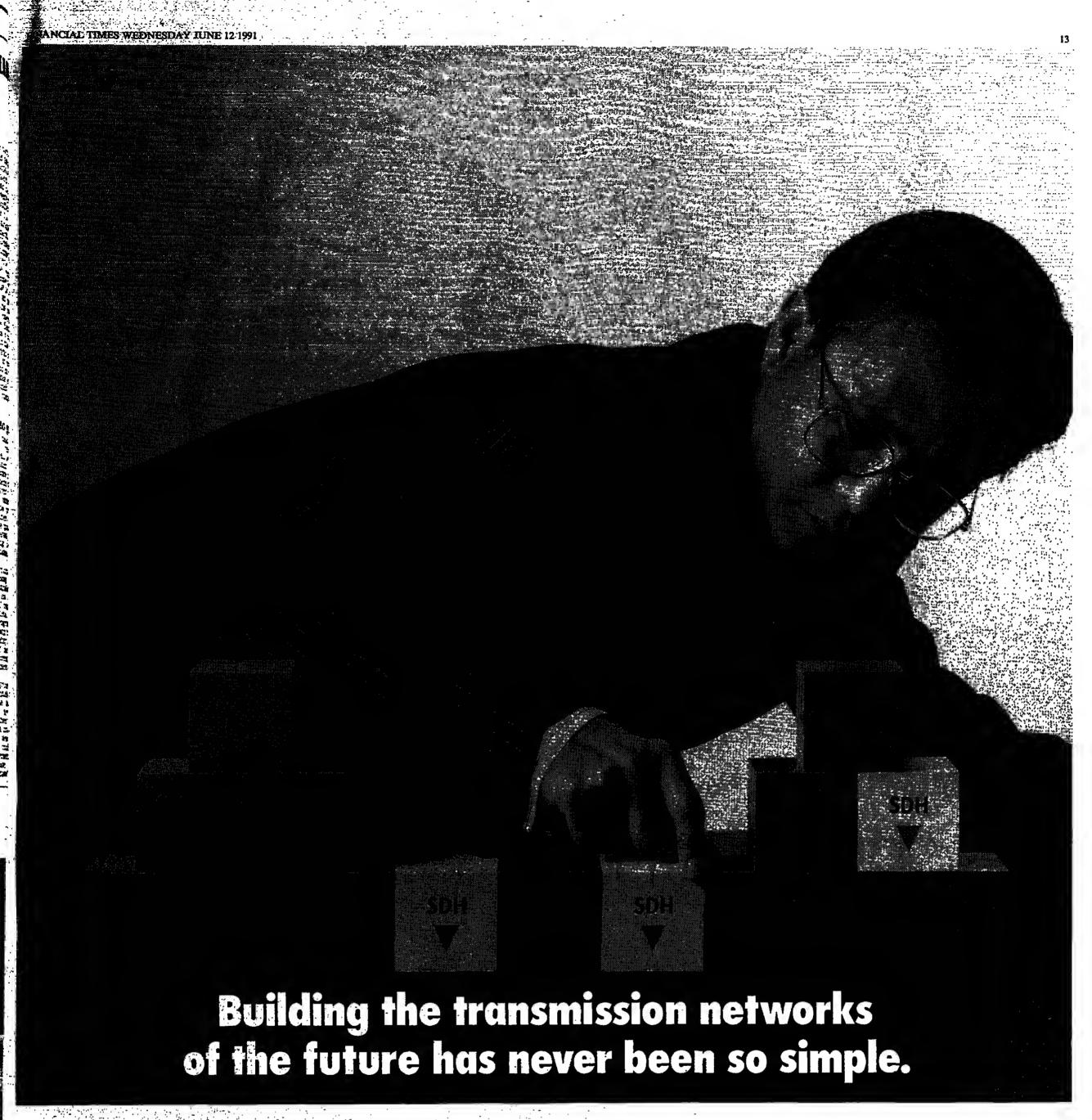
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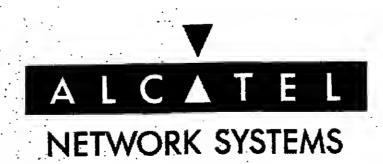
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Idomeneo

GLYNDEBOURNE This season's Idomeneo at

Glyndebourne is appropriately dedicated to the memory of the late Richard Lewis, the tenor surely more closely associated with the opera's title-role than any artist since Anton Raaff, for whom Mozart wrote it. Trevor Nunn's production of 1983 has been directed by Stephen Rayne. Graeme Jenkins conducts the London Philharmonic. As in Death in Venice he showes the knack, not possessed by every Glyndebourne conductor, of filling that tone-drier of a pit with warm, vital sound. He did this to grand effect on Monday in the first two acts. After the interval the drive example, Ilia's "Zeffiretti lusinghieri" and Arbace's big accompanied recitative were a shade too leisurely. Keith Lewis, the new

Idomeneo, pupil as well as near-namesake of his distinguished predecessor, is most promising. The wretched king's troubles are conveyed with natural dignity, the voice is clear, sweet and supple enough to bring off an ambitious cadenza in "Fuor del mar". Lewis did the abdication speech well enough to make one regret the absence of Idomeneo's final aria. is matched by an Ilia of ec'a final aria. He exceptional quality in Sylvia McNair, whose finely spun line is full of colour not least in the all-important recitatives. She moves with unusual grace. Her stillnesses are eloquent. Otherwise, apart from the sound High Priest (Kim Begley), Arbace (Robin Leggate) and Voice of Neptune (Peter Rose), the casting was

Mozart rewrote the part of Idamante the king's son (originally for male soprano) for a single, mainly amateur performance in Vienna. If he had been able to carry out his intention of a thorough revision giving the role of the king to a bass, the change would have worked better. As it is, the more I hear of tenor Idamantes, which Glyndebourne traditionally prefer, the more I long for mezzos. Four tenors in the last act is simply too much. John LaPierre's well-covered, rather sentimental college boy of a Cretan prince did not change my mind in spite of his agreeable timbre. The Elettra, Stephanie

Friede, also American and an experienced performer, projected an unsubtle view of the character. The dramatic first and last solos passed muster but, like many sopranos she was unhappy with the role's danger spot, siciliana chorus - a treacherous twenty bars needing perfect command of legato in the middle register. Though the full tension of the sacrifice scene has not yet been recaptured, the chorus was as lusty as ever.

Nuon's serious, carefully thought-out staging had real merits, yet it was a partial view of this many-layered, inexhaustible opera. Designed as a festive work, *Idomeneo* came out more than thet, but the festive elements, the spectacle and the ballet (which Mozart, who cut so much, refused to leave out "because I love it so") must be represented. In the revised, nurky lighting both set and costumes make a depressing contrast with the clean. singing colours of the Paris Entfilmung already described here. As for the two little dances we are allowed, their inclusion in a performance on this level is hard to credit.

Ronald Crichton

TELEVISION

The best of the bunch in Banff

The story so far: British programme makers entered 21.4 per cent of the 500 programmes at the 12th Banff Television Festival. Of the 159 programmes selected by the festival committival. Of the 159 programmes selected by the festival committee to put before the international jury, 32.4 per cent were British. When the jury onnounced the programmes they were shortlisting for prizes 47 per cent were British. Last week's column, written from inside the jury room, ended with the cliffhanger question: could the British sustain their seemingly inexorable progress. seemingly inexorable progress and win more than 50 per cent of the prizes against competi-tion from the rest of the world? Now read on.

es, they could. Not only did British programmes take the prize in six of the 10 categories, raising their success rate to 60 per cent, but the BBC's mini-series Portrait Of A Marriage then received the Grand Prize of the Festival, the one which is reported internationally and remembered in later years. Having already won the Grand Prize in 1982, 1985 and for the past three years consecutively, Britain now has a record of six, the next highest national total, Italy's, being two.
The category prize winners

Arts Documentaries: Bookmark: From Moscow To Pie-tushki, BBC, UK. Children's Programmes: The Little Kidnoppers Jones Maple Leaf Productions and CBC for the Disney Channel, Canada. Comedy: The Curse Of Mr Bean, Tiger Television for Thames, UK Caleb, Cité-Amériqua with SRC, Canada. Features: Changing Step, BBC Scotland, UK. Mini Series: Portrait Of A Marriage, BBC with WGBH Boston and TV New Zealand,

Performance Spacials: Memento, Slovak TV Brati-slava, Czechoslovakia. Popular Science Programmes: The Trials Of Life: Hunting And Escaping, BBC Bristol, Short Dramas: In The Border

Country, Little Bird Productions for Channel 4, UK.
Social And Political Documentaries: The Civil War, Floren-tine Films for PBS, US. There were also two special jury prizes, the first of which we awarded to Canadian Joyce Borenstein for her enchanting and original use of animation in The Colours Of My Father, and the second to Tomas Dillen and Anders Ribbjoe for the courage of their journalism in the Swedish documentary The Law Of The Jungle which enabled those involved in an appalling pattern of terrorism and virtual slavery in Brazil to

tell their own story.

Two categories proved relatively easy to judge. In Children's Programmes our shortlist contained a moral tale from Canada called Maggie's Secret which sought to lighten the load on teenagers saddled with alcoholic parents; the acting was fine but the script sounded like something concocted by a committee of psy-chologists. There was also Ralph S. Monse from the US, using splendid technique to mix live action and animation, but with a surprisingly boring

story. So Canada's glossy 94-minute movie, The Little Kidnappers, starring Chariton Heston in a period costume drama about two young Scottish orphans and their puritanical grandfather in Nova Scotia, pretty well selected itself.

Comedy was also compara-tively straightforward. Three of our four short-listed contenders were British: Hale And Pace, A Night On Mount Edna, one of the outrageous Edna Everage chat shows; and Mr Bean. The other finalist was an extraordinary Australian programme called The Money Or The Gun: International Year Of The Patronising Bustard which challenged public embarrassment and condescension in dealing with the disabled by dealing with the disabled by subjecting them to as much ridicule as anybody alsa. Though we admired its courage most of us on the jury felt it odd to categorise this es a comedy. As it was, Rowan Atkinson's latterday Harold Lloyd character, Mr Bean, with his silent comedy routines, walked away with the award. It is difficult to believe this was the funniest programme on British television in tha past 12 months, never mind in the world, but seven viewers of different nationalities could, and did, watch and laugh

simultaneously.

In the other categories there was considerable agonising over the winners. For example in Features, while many of us admired Canada's bittersweet prairie love story, Getting Mar-ried in Buffalo Jump, some felt it was flawed by script anomalies; and although wa were deeply impressed by Ger-many's technically superb

Simenon mystery, Another Lover, several of us suspected Lover, several of us suspected the surface concealed a lack of depth. But then the BBC's odd story of limbless servicemen and class divisions in Edwardian Scotland, Changing Step, could hardly be described as flawless; it suffers from several longeurs. Was it really the best of the bunch? After much discussion we decided it was cussion we decided it was. In Social And Political Docu-

mentaries there were differ ences between those who felt that heart should count as much as head, and who wanted to give the prize to Canada's Born In Africa about a popular singer dying of Aids, or to Sweden's Law Of The Jungle about terrorism in Brazil, and those like me who argued that The Civil War was by far the most outstanding example of docu-mentary programme making, however conventional, with its masterly use of photographs, old letters, music and sound effects, and virtually demanded the award.

Perhaps our least difficult decision was to give the Grand Prize to Portrait Of A Mar-riage. In an odd way the BBC was almost at an advantage here in dealing with such an obviously difficult topic (Vita Sackville West's lesbian love affair). Having avoided the pitfalls of crassness on the one hand and exploitation on the other, all the BBC's strengths came into play: script by Pene-lope Mortimer, wonderful act-ing from Janet McTeer and

Cathryn Harrison, and right-ness in all the details from With British programme makers dominating the prize

categories in such an extraor-



Scene from the BBC's Grand Prize winner, 'Portrait of a Marriage'

dinary way, are we obliged to concede to our more gung-ho broadcasters and politicians that British television is the best in the world?

hest in the world?

It is not necessarily so. Festivals such as Banff concentrate on specific programme categories. There are no prizes here for news, current affairs, sport, game shows or soap operas. Perhaps those are all done better elsewhere, though experiter elsewhere, though experi-ence suggests otherwise. Furthermore, however hard the organisers may strain to avoid It (and Canadians with the Québecois factor try harder than most) these occasions are decidedly Anglophone: English is becoming as much the international lingua franca of television as it is of medicine or air traffic control; but maybe Chinese television is, secretly, the - can indeed best in the world. Then again, high ranking.

maybe not.
These are, anyway, pretty weak arguments. We expect to judge a medium of expression by its highest forms, not by its mass popular aspects: nobody ever suggested the the literature of country X was great thanks to the standards of its magazines or the art of country Y aspecially notable try Y aspecially notable because of its splendid post-cards. So drama and documentary, arts and science programmes must, of course, loom large in the estimation of television quality. That being so, British programmes - judging by their unparalleled success in the past nine months at the Prix Italia (the most important in Europe), the Reims Festival, and now Banff (the most important in North America)

The strength of British tele vision is brought home to you dramatically when you watch two editions of Anglia's Survival, first Alan Root's "Here Be Dragons" with its astound-Be Dragons" with its astounding sequence of a crocodile catching a wildebeeste, and then "The Secret World Of Bats" with similarly amazing photography, and you think "Well nothing can possibly beat those". Then you watch Trials Of Life featuring the marauding killer whales of Patagonia, snatching sealion pupe off the beach, and realise how wrong you were. Finally you register that this, too, is a British programme, and it becomes very difficult indeed to deny that Britain does, truly, make outstanding televitruly, make outstanding televi-

Christopher Dunkley

Intermezzo

Continuing Series: Les Filles de

KAMMERSPIELE, HAMBURG

Ask for theatrical nostalgia and, before you can say fin de siècle, the British will mount Oscar Wilde or J.M. Barrie, the French will come up with Cyrono and the Germans will trumpet Aribur Schnitzler, as decorous as the best of them but distinctly teutonic in his choice of kicks: not class or romance but sex in the head, Freudian intuitions — Schnitzler and Freud were friends - unconscious motiva-tions. Catch these nerve strains, and a schnitzler production can seem up-to-date and challenging; lose them in mannered comedy and you have a period piece of stylish but empty charm.

Hamburg has the latter. "I have a certain respect for people who go to the theaten in summer," save a character in futer.

tre in summer," says a character in *inter-*mezzo, to the cheers of a flattered audience. Gerd Bockmann pinpoints the summery mood with birdsong, plane tin-kling in the conservatory, the patter of an evening shower, as the lights go on in the

like willowy reeds, graceful, accommodating, fatally lacking backbone. Oh, those decadent Viennese! Each glance and cadence exchanged between composer Amadeus (Peter Satimam) and his opera-singer wife, Cecilia (Birgit Doll), has the delicacy and poise we associate with the tims and place, and since the characters are intent on a self-conscious choreography of their own lives, Bockmann's pro-duction is not without psychological sense. The trouble is that the psychology never develops. Amadeus lives and lives to avoid greeting boredom face-to-face; Cecilia fancies creative fulfillment; and both believe in their cooly planned open marriage. Illuminations should come when these second-best ideals collapse, but here the finely agonised monologue, the screeching marital row, are stilled within one of the most conservative, stagey stagings I have seen in Germany.

music room. Women, long-necked and confident, float in like swans; men answer, doors and turn beck, just when you expect

them to, cigarettes are noisily rolled and it and sighingly smoked. Busts of Beeth-oven, Wagner and others tower over the action; between them, a space is left, pre-sumably for Amadeus' own marble head to join them. Sattmann is suitably self-important as the composer, Ms Doll returns his patronising tolerance with gushy politesse. He was loosely based on Mahler, she on Schmitzler's wife, Olga, and there's a tan-talising hint of eroticism and yearning, that echo of Klimt and Mahler that Schnit zler always suggests in these performances, but mostly Sattmann and Doll panse and pose and pace up and down without shedding light on the personal impact of their debate. Is a liberal marriage liberating for men and unliberating for women? How narrowly is each sex locked within his or her gender vision? Schnitzler's pet subjects are still being discussed today, but not on the Hamburg

Jackie Wullschlager

Cops

GREENWICH THEATRE

Mark Baker's book, Cops, is a chillingly effective journalistic antidote to the media's anodysed images of police enacting issues of the day in 30-minute chunks of prime time TV. It is chilling not simply in its unsparing presentation of the first-hand experience of policing New York, but in its portrayal of an ordinary workforce employed in the extraordinary work of maintaining a pretence of civilisation in streets far meaner than most of us could imagine them to be. Using bullets of anecdote, loosely grouped into areas of experience, Baker conveys the variety of lives with common threads of fear and alienation from the ordinary realities of even their own families. There is no dramatisation beyond the stories themselves, and no authorial presence beyond the inevitable editing and ordering of the material.

er-room or bowling alley, regale each other with experiences which range from lever-ing a crazed symphomaniac off her dog to retrieving the skewered body of a child from a tree. Their anger and their para-nois point to the single concession to plot, which is the shooting of two of their num-ber for no better reason than that they patrolled the wrong place at the wrong time. It was all too grim for Outraged of Kent, who stomped noisily out of the first night and will no doubt shower the theatre

with protests about obscenity.

The basic problem, though, is not the grisliness of language or description but the failure of the show as documentary theatre. Tha most obvious manifestation of this is Bryden's decision to represent the New York police force as all male. OK, so Cagney and Lacy are out, but the absence of women from the beat leaves as fundamental a gap as would have yawned had Bryden decided to cast the force as all

white. Even a token presence would have complicated the sexist banter, just as Ricco Ross's portrayal of a smart black cop ironises his colleagues' dismissal of blacks as "seagulis" (they shout all night, squawk all day, shit on everybody and are protected by the federal government.)

However hard Bryden and his co-director Sebastian Graham-Jones have tried to give the unvarnished truth, the demands of staging have left them with a handful of characters shaped by a particular collection of experiences - from Tony Haygarth's maudlin belief in domestic morality to Gary Love's emotional attempts to describe the indescribable aftermath of a road smash. Inevitably, perhaps, the play lacks the book's panoramic sweep, while at the same time denying itself a full dra-

Claire Armitstead the 1990s, however - long after the stylistic lesson has become familiar sverywhere -

Japan in Aldeburgh

SNAPE CONCERT HALL

This is an East-meets-West double bill: first a traditional double bill: first a traditional Nob-play, Sumidagana, played by a troupe from Caska, and then the Britten "church parable" it inspired - his 1964 Curlew River - sung in English by the Hayashi Company, with British instrumentalists led by Standard Praignation Steuart Bedford. (Praiseworthy sponsorship for the former by the Great Britain-Sasakawa the Great Britain-Sasakawa
Foundation, and by Sanyo for
the latter.) Excellently bold
idea, in principle; in practice
certainly "interesting" but a
long slog, and not very moying. The aesthetic stage traditions of East and West don't
meet easily. meet easily.

In Tokyo in 1956, Sumidasion upon Britten, who went on to write a trilogy of "church parables" on this model Its story is stark and simple; a mother deranged by grief (and played by a male actor) crosses a river by ferryboat to find her lost son's grave. By prayers she conjures up his spirit; but she cannot touch him, and at dawn he vanishes. Though the idea of writing a drag-role for Peter Pears in the mode of elevated tragedy may bave counted for something, what struck Britten most was the stripped-down manner: still-ness and dignity without any by-play, impersonal chanting, sober rhetoric in a loose frame without harmonic structure, accompanied only by an expressiva flute and punctuat

ing drums.
It's obvious enough why the theatrical style should have seemed an astringent revela-tion in the 1950s and early '60s. Transplanted to Aldeburgh in Sumidagana is just foreign and very, very long, even in this politely condensed ver-

sounds sternly humane. The needs no translation is Keizo Akai's haunting flute, but it falls silent (like the drums) for ths central duologue of Mad-woman and sage Traveller, where we are back with opaque, foreign, singsong verse far more foreign than, say, any Racine thude, in which the "natural" dramatic inflections should be palpable even to non-French speaking Euro-The loyal Hayashi perfor-

mance of Curiew River does Britten no favonra. Their Buglish is surprisingly good and sometimes clear, with the bonus of forthright delivery innocent of British ecclesiasti-cal tones (which were endemic among Britten's own chosen voices). The band is first-class with inspired moments from Sebastian Bell's flute and Richard Watkins' superlatively staunch horn. What we notice most, however - because she isn't there - is Britten's pethos-ladan Madwoman.

Though Tadashi Hosokawa sings her experily and musi-cally, he also makes us realise this politely condensed version. All that rigorous plainness is in honour of the Japaness verse, which we don't understand; the force and subtlety of the declamation remain matters for conjecture. To ignorant Western ears it seems uniformly motio vibrato, intense and strangulated. It might be great poetry — or, equally, Victorian melodrama. Though the seasoned skill of the troupe isn't in doubt, we recognise it at a cool arm's length distance. We can see length distance where the seater of Buddhist monks are hinself against our local servers are length.

dramatic conventions he won't wrench our hearts, for the literal music doesn't tell him precisely enough how to do a Peter Pears. Hosokawa has disinguished support nonetheless from Makoto Nadai as the wise Abbot, and from Tetsuji Yoneda's rude Ferryman. We

miss only the sense of real, irrecoverable loss.

The spectre of the lost 12-year-old sou is carried over from Sumidagawa: a very small boy, in white grave-clothes and a sweet bleat representation. clothes and a great black mane (standard Japanese iconography for the restless dead), has here an offstage trable voice. too uncertain to make its due too uncertain to make its due effect. His doomed reunion with Mother is a tame event, and the new idea — that it should restore "her" to plous sanity — is barely signalled. Japanese eyes and ears may respond differently, but I doubt that ours will. Britten's ultraprofessional music needs a kiss of raw life which never comes.

David Murray

INTERNATIONAL TODAY'S EVENTS

AMSTERDAM

Muziektheater 20.00 Glen Wilson conducts Pierre Audi's production of Monteverdi's II ritorno d'Ulisse in patria, with Anthony Rolfe Johnson as Ulisse and Gracials Araya as Panalope, slao Fri and Sun. Tomorrow: Frane Brüggen conducts Idomeneo (8255 455)

■ BARCELONA

Gran Teatre dei Liceu 21.00 Francisco Arsiza, accompanied by Jean Lemaire, sings Die schöne Müllarin (412 1466)

■ BERLIN

Komische Oper 19.30 Ballst gale with extracts from La Sylphida, Swsn Lake, Romeo and Juliet and olhars. Tomorrow and Sst. Tom Schilling's ballat Les Contes d'Hoffmann (2292 555) Staatsoper unter den Linden 19.00 Fabio Luisi conducts Die Zaubarflöte. Fri: Rainer Goldbarg sings Max in Der Fraischūtz, Sat Tristan und laolda. Sun: Madama Butterfly (2004 762) Deutsche Oper 19.00 Glacomo Aragall sings tille rola in John Dew'a production of Faust, with

inga Nialean as Marguerite. Fri: Il trovatore. Sat: Giaalla. Sun: Franz Welser-Moest conducts Jean-Loula Martinoty'e naw production of La clamanza di Tito (3410 249)

Bill Bryden's adaptation bravely and

disastrously attempts to do the same on stage. Seven cops, seen in police car, lock-

■ BOLOGNA

Teatro Communale 20,30 Gustav Kuhn conducts Lorenzo Arruge's Italien-language production of Die Zauberflöte, also Fri and Sun. Tomorrow: Daniele Gatti conducts Streuss, Berg and Marco Tutino

■ BONN

Oper 20.00 Michael Boder conducts Jaan-Claude Riber's production of Pellées et Mélisanda, with Mslcolm Walkar and Angala Maria Blasi in title roles, Jean-Philippe Courtie ee Arkel and Jean-Philippe Lafont as Golaud, also Sun. Tomorrow: Youri Vamos' production of Swan Lake (773667)

■ CHICAGO

Orchestra Hall 20,00 Gunter Wand conducts Chicago Symphony Orhestra in Schubert's Eighth and Ninih symphonies. Repeated lomorrow and on Fri at 13.30 (435

■ LONDON

MUSIC AND DANCE Covent Gerden 20.00 Royel Ballat triple bill: Nijinska's Les Biches and Les Noces, plus Ashton's Scenes de bsilet. Repeated tomorrow and Fri (240 1066) Collseum 19.00 Joesphins Barstow sings Katerina in revival of David Pountney's production of Lady Macbeth of Mtsensk, conducted

by Mark Eldar, Warren Ellsworth sings Sergal and Willard White la Borie, Also Fri (836 3161) Queen Elizabeth Hell 19.45 Christophar Warren-Green is violin soloist and conductor in a programma of French music with the London Chember Orchestra. Tomorrow: Sir Arthur Bilas centenary concert. Sat: Chelsea Opera Group perform Puccini's La Rondine (928 8800) Barbican 19.00 Bramwell Tovey conducts London Symphony Orchestra in final concert of the 1991 Shall-LSO muelc scholarship for brass, in which six regional finalists perform solos and concerto movements (836 8891) Gufidhali School of Music 19.00 Last performance of Patrick Libby's production of Delius' one-act opsra Margot La Rouga end Poulenc'e surreal comic fantasy Les Mamelles de Tiresias (638 8891) THEATRE

Musicals: Joseph and the Amazing Technicolour Dreamcoat, one of the early fruits of the Andrew Lloyd Webber/Tim Rice partnership, is revived tonight at the London Psiladium in a production directed by Stephen Pimlott, with e cast lad by Jason Donovan, Tango Argantina at the Aldwych ia a stylish, sultry and anargatic song and danca show, built exclusively around this tango. Oscar Hammerstein's classic musical The King and I has been ravived at Sadier's Wells for a limited run, etarring Susan Hampshire and David Yip. At tha Vaudeville, Dora Bryan atars in 70 Girls 70, a musical by Kandar and Ebb, the writers of Cabaret and New York, New York. Thie le a West End premiare, and a transfer of last

vear'e euccessful Chichester

Festival production. Previews this week, with press night naxt Mon. Phone Theatreline: Pleys 0836 430959 Muelcala 0836 430960 Comedies 0636 430961 Thrillars 0836 430962

■ GOTHENBURG ·

Konserthuset 19.30 Hannu Kolvule conducts Gothenburg Symphony Orchestra in a programma Including Tchalkovsky's Serenade for Strings and Ernst Krenak's Orgen Concerto, with soloiet Karin Andarsson (167000)

■ MADRID Auditorio Nacional de Musica 19.30 Frank-Peter Zimmermann, accompaniad by Alexandar Lonquich, plays Mozart violin sonstas (337 0100)

■ NEW YORK

MUSIC AND DANCE Metropolitan Opera 20.00 American Ballet Theatre tripla bill, including Swan Lake Act II. Tomorrow, Fri and Sat Vladimir Vasilley's staging of Don Quixote (362 6000) New York State Theater 20.00 NY City Ballet In a Balanchine tripla bill. Tomorrow: Balanchine'a Jewels (870 5570) Avery Fisher Hati 20.00 Andre Previn conducts Brahms' Acadamic Festival overture and Mozart's

Symphony No 39, with Andre Watts

soloist in Previn'a Piano Concerto. Also tomorrow, Fri and Sat (875 50301 THEÁTRE More Off Broadway: Tha Hunchbeck of Notra Dame Is Everett Quinton's quasi-musical retelling of Victor Hugo's gothic

PARIS Paiels Garnier 19.30 Last

In 1912, whare the main

is Jon Robin Baitz'a witty and

for control of thair family-owned

publishing house (Mainstage, 416 West Forty-second Street, tel 279

Ticketron enswers inquiries and

4200). For Broadway shows,

aelis tickets (246 0102)

parformance thia aeason of Opéra Ballat production of A Midsummsr Night's Dream choreographed by John Naumalar, music by Mandelssohn and Ligati (4742 5371) Théâtre de la Ville 20.30 Tanztheater Wuppertal opens a two-week season with Pina Bausch's latest work, Peiermo Psisrmo (4274 2277) Salle Gaveau 20.30 Paul Badura-Skoda gives tha first of four recitals devoted to Mozart's piano aonatas. Naxt recital on Fri (4027 8017)

tala of the bell-ringer, tha gypsy he loves and the avil archdeaco (Cherles Ludiam, One Sheridan **VIENNA** Square, tel 691 2271). Jungia of Cities ie Brecht's pley, trenslated Theater an der Wien 19.00 Donald Runnicles conducts Achim Freyer's Hamburg production of Die by Anselm Hollo, eet in Chicago Zauberflöte, with Kurt Moll as Sarastro, Kurt Streit as Temino, Dawn Upshaw as Pamina and Mikael Melbye as Papagano. Repeated on Fri and Sun (586 1676) combatants fight to prove who'a tha better man (Theater-Studio, 750 Eighth Avenue, tel 719 0500). Pageant is e beeuty contest, where judges ere selected from the audience to vote for Miss Stastsoper 20,00 Michael Schoenwandt conducts Harry Kupfer'e production of Elaktra, with Glemouresse, in e show conceived, directed end choreographed by Robert Longbottom (Blua Angel, 323 West Forty-fourth Street, tel Eva Marton In titla roia, Brigitte Fassbaandar as Klytemnestra and Elisabeth Connell as Chrysotemie, elso Sun. Fri: Ariadne auf Naxos. 262 3333). The Substance of Fire Sat: Arabelle (51444 2960) Musikverein 19.30 Young intelligent play telling of the etruggie between an old-world father and his Amarican children

conductors' concart with Tonkunstler Orchestra. Set at 15.30 and Sun at 11.00: Danial Barenbolm conducts Vienna Philhsrmonic Orchestre in a Mozart and Bruckner programme. (505 a190) Konzerthaus 19.30 Micheel Gielen conducts Austrian Radio Symphony Orchestre in e programme Including Mozart's Missa Solemnis. Tomorrow: Theodor Guschibauer

conducts Hsydn, Schubert, Berg,

■ ZURICH

Webern. (7124 6860)

Tonhalla 20.15 Hiroshi Wakasugi conducts Tonhalla Orchestra in Mahier'a Ninth Symphony, Wakasugi'a farewell performance as music director of tha Tonhalla. Fri: final of 1991 Geza Anda Piano Competition (201 1580) Opernhaus 19.30 John Caga'a music-theatra axtravaganza Europeras 1 & 2, also Fri and Sat. Tomorrow and Sun: ballets by Plerre Wyss and Uwe Scholz (251

i

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2220 - 2250 (Wed) Financial Times
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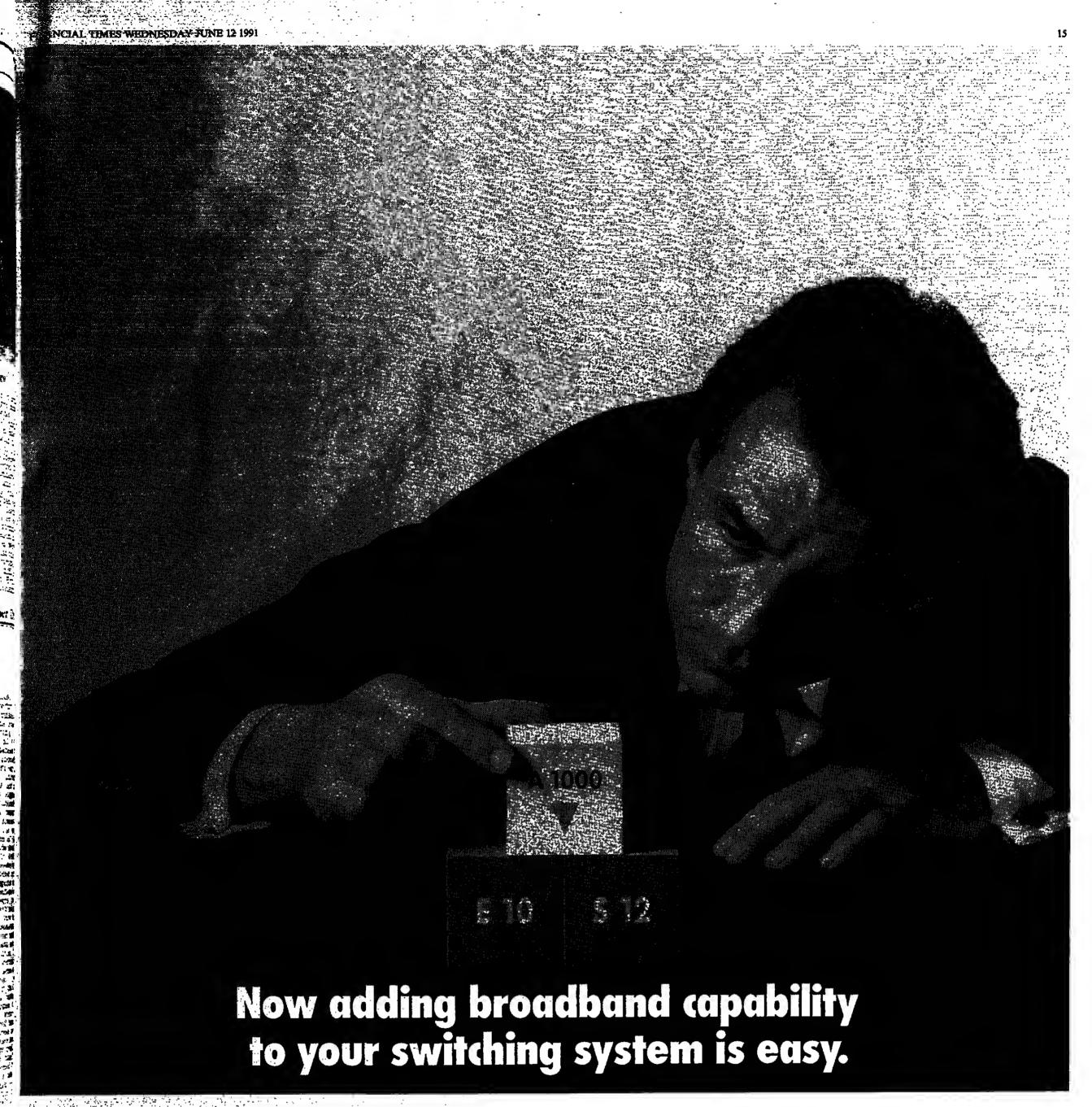
ton. 0830 & 2030 (Thurs) Financial Times Business Weekly Sky News 1200 International Susiness Report 2130 (Thurs) Financial Times Busi-ness Western

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FINANCIAL TIMES

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Wednesday June 12 1991

A Russian leader

begin to take the largest step towards political freedom that they have been allowed in their history. The six years of Mr Gorhachev have yielded grest rewards for the world. but it has taken a crude blunderbuss, Mr Boris Yeltsin, to force an opening for demo-cratic advance which has a good chance of being institu-

The six men from whom the Russians must choose range from the doubtful to the laughable. But they are the first not to he seeking hegemony through butchery, treachery, the will of God or the logic of history. This fact alone is

worth a celehration.
It is also worth emphasising that it is not only the first step. but one into a morass. The new president will make an oath, under the law which governs his office, to "protect the rights and freedoms of man and citizen", hut he will rule in a country still not sure of either its human or civic rights. He will dominate a Supreme Soviet in which there are no clearly defined parties and no clearly defined programmes: where the judiciary is weak and generally craven; where declarations, laws and pledges are rarely matched by action; where the institutions remain those of a communist power without the convictions which used at least to make things happen, but with the reflexes which stop them happening.

Historic trust

And if, as expected, the citizens choose to repose this historic trust in Mr Yeltsin, these oblems will be compounded hy the complex politics and personality of this driven man. There was no need for Pravda this week to wheel out three professors of psychiatry - a profession with a dubious past in the Soviet Union - to say that Mr Yeltsin was power hungry. It has long been clear that he is a man to whom power is a necessary part of life and who is able to wield it

That may become important and alarming. But for now of greater importance is the fact that he has had to base his search for power upon the

party - had thrown him out of its inner councils into the kind of padded sinecure from which cirrhosis of the liver is generally the only exit. Mr Yeltsin's many and obvious faults, however, cannot conceal one fundamental virtue: he may have stumbled on democracy but be has stayed on its path. The Russian people must ensure that he does not stray from it.

Important tasks

Whoever does take the presidency must quickly make clear what he will do in three areas. First, he must engage with Mr Mikhail Gorbachev, the Soviet president, and with leaders of the other republics, in a final effort to devise an economic plan for the Soviet Union and a union treaty for those who wish to be part of it. Posturing will be a luxury, as at least Mr Yeltsin seems already to have realised. The declining power of Soviet communism can be confronted only at peril of civil disorder, and thus must he compromised away - as it was in Hungary, Poland and Czechoslovakia, which offer much hetter models than

Second, on coming into the legacy of increased economic power which he will undoubtedly receive, the new president must both proclaim his adher-ence to the creation of a market economy (as Mr Yeltsin has done many times) and stick to it (which he has not). The imperative is transparency of decision-making as between the centre and the republic. and then resolute pursuit of those goals - such as privati-sation - which are urgent.

Finally, he must nurse democracy into life as tenderly as any bahushka tending a sickly grandchild. He must encourage the development of parties, even those hostile to himself, encourage a judiciary and a media with their own codes of justice and truth, not beholden to him; and allow the government he appoints to work without constantly trumping its actions with a populist joker. A large agenda for any president; vast for the six ill-qualified men whose political tate is being decided. political fate is being decided today. Yet this is a great day for the Russians. Ideals can choice of the people, since the other source – the Communist of the Soviet Union.

Capitalism and the saver

The Share Ownership Movement, a new independent body which is to take over from the Wider Share Owner-ship Council in the autumn, has got off to a shaky start. Although it has received back-ing from the stock exchange and the government it has failed to attract the degree of financial support its sponsors, who include Sir Peter Thompson and Sir John Harvey-Jones, have been expecting from private industry.
Inevitably this raises ques-

tions about the SOM's likely future success in promoting direct participation by individ-uals in the stock market. It faces a changing political climate with the possible accession to power of a Labour government over the next year. Is popular capitalism, a phrase coined by Mr Nigel Lawson when he introduced personal equity plans, another part of the Thatcherite baggage of the 1980s which the Conservatives

In fact the arguments for spreading ownership of compa-nies through the population have always heen strong. If capitalism is to be successful it essential that people at large should see henefits from healthy profits as well as from rising wages. But there must be serious donhts about whether the Tories have gone ahout it the right way, hy encouraging individual amateur punters to hold penny packets of shares, without proper regard to the skills needed to manage portfolios properly or the financial infrastructure required to render small portfolios economic.

Conservative promotion

The government hlames the stock exchange for dragging its feet, especially over the Taurus electronic settlement system, and Mr Norman Lamout is now attempting to promote an alter-native high street distribution network by offering interested financial retailers a deal over the forthcoming British Tele-com share sale. But the Conservatives have never looked really courageous about promoting a shareowning culture. The government may be putting up £250,000 a year to help get the SOM off the ground, but the heavy fiscal discrimination against direct share

ownership remains in place (apart from PEPs) and the advantages of the pension funds have been almost

Over the past three decades about a third of the equity cap-ital of British quoted compa-nies has been channelled into these extraordinarily remote and opaque funds. Not only has has this concentration of ownership created a barrier between the hroader popula-tion and the stock market, but there have been increasing problems of corporate governance because the pension fund managers have failed to accept their full responsibili-

Company caution In fact the main reason for

the increase of interest by com-panies in promoting wider share ownership, leading to the establishment of the CBI's Wider Share Ownership Task Force, headed by Sir Peter Thompson in early 1900, lev in Thompson, in early 1990, lay in the wave of hostile takeover hids in the late 1980s. The thought was that private shareholders might be more loyal than fickle pension fund managers. But in 1991, with the threat of takeovers greatly reduced, and industry severely stretched for resources, compa-nies are declining to back the SOM with hard cash on any significant scale.
For the government, the way

ahead may he to tackla the problem of institutional concentration. There may be no harm at all in encouraging an enthusiastic minority of invesholders. For the bulk of savers. however, the institutional

route is the appropriate one. So it is time for the government to stop treating unit trusts and investment trusts as the poor relations of the equity market. As for pension funds, and the with profits funds of life insurance companies, the aim must be to make them much more transparent so that the millions of beneficiaries can he made more clearly sware of how closely their fortunes are linked to the health

of the corporate sector. In pursning the goal of wider ownership the Conservative government has largely lost sight of the need for wider

America's upturn is likely to be one of the weakest on record, says Michael Prowse

Lingering doubts about US recovery

n purely economic terms, the Bush presidency has been a dis-sppointment for moat Americans. The annual rate of growth has not exceeded 1.7 per cent any quarter since Mr George Bush's inauguration early in 1939. That is far below the trend of about 3 per cent established during the Rea-gan years. Since last July, when the US's minth recession since the second

world war began, output has fallen. The White House and most private sector economists are confident that the recession is now bottoming out. The bad news is that the Mr Bush will continue to score low economic grades: the upturn looks set to be one

grades: the upturn looks set to be one of the weakest in recent US history.

Total output has typically expanded by more than 6 per cent in the first year of recovery from post-war recessions. This time, growth is unlikely to exceed 3-4 per cent and could be as low as 2 per cent. A "double dip" in which the economy slips back into recession after a period of sluggish growth should not be ruled out.

The recession that began last July is best understood as part of a pro-

is best understood as part of a pro-longed adjustment to the epic imbal-ances created by the defence build-up, ances created by the defence build-up, tax cuts and financial deregulation of the first Reagan term. These led to record budget and trade deficits and unprecedented levels of personal and corporate debt. The remedy that has been applied for several years is a gradual deflation of domestic demand. Personal consumption began to fall in real terms only in the final quarter of last year. But growth of personal spending has been declining since the mid-1980s. Housing starts peaked at

mid-1980s. Housing starts peaked at nearly double their current rate in 1986. The growth of capital spending, negative in the first quarter, has been declining since 1988, partly because of the loss of fiscal privileges in the 1986

The prolonged domestic slowdown reflects several interacting forces:

• An attempt to reorient the econ-An attempt to reorient the economy away from domestic consumption and towards production for export markets. The trigger was the unsustainable rise in the current account deficit, which peaked at \$162bn in 1987. The means was an unprecedented devaluation of the dol-

n four of the last seven US recas sions, forecasters have been sions, forecasters have neen thrown off track hy "false dawns": periods in which gross national product has risen before resuming its fall, writes Michael Prowse. So it would be unwise to the provider of the property of the provider of th regard recent positive signals as proof that the economy is turning

The outlook, however, does look brighter than even a fortnight ago. reported that employment rose hy 59,000 in May - the first increase for 59,000 in May — the first increase for nearly a year. This was a tiny increase in an economy that gener-ates nearly 109m jobs and one that could be erased by data revisions. But it was a ray of light after six months in which monthly job falls have averaged more than 200,000. It also tallied with other labour market indicators: initial claims for unemployment insurance, for example,

lar since 1985. Its trade-weighted fall of more than 50 per cent in the past six years has sharply squeezed US consumers' purchasing power while significantly improving US industry's overseas competitiveness

overseas competitiveness.

The share of exports in GNP has risen sharply; and, thanks partly to recession and lower oil prices, the trade and current account deficits are shrinking rapidly.

A parallel, if less successful, attempt to curb the federal budget deficit. The combination of recession, American participation in the Gulf

American participation in the Gulf war and the costs of the savings and war and the costs of the savings and loan hail-out will push the budget deficit to a record \$2750n or so this fiscal year. But the headline total obscures modest progress towards fiscal rectitude. Salomou Brothers, the US investment hank, calculates that the cyclically-adjusted "core" deficit, which excludes these special factors, fell from a post-war peak of 4.4 per cent of GNP in 1986 to about 2.8 per cent last year. It is likely to decline by another half percentage point this year as a result of tax increases and spending cuts agreed at last autumn's spending cuts agreed at last autumn's

spending cuts agreed at last autumn's budget agreement.

• Progressively tighter restraints on money and credit growth. Since 1987, annual growth of M2, a broad measure of money, has averaged only 3-5 per cent, much less than the 9-12 per cent growth typical of the early and mid-1980s. Private-sector credit demands have dropped like a stone—from 15 per cent of GNP to about 5 per cent. The equeeze was partly unintended, reflecting financial distress within an over-extended banking tress within an over-extended banking sector and the increased zeal of bank regulators. Last year, as banks sought to rebuild capital ratios by imposing tighter conditions for loans, restraint turned into a full-hlown "credit crunch" in which even credit-worthy borrowers were denied funds.

But the monetary squeeze, if not the crunch, also reflected the determi-nation of many Fed policy-makers to reduce America's core inflation rate below 5 per cent by gradually reining back monetary growth. That policy is currently on hold and it remains to be seen whether past restraint will curb inflation during the recovery.

The impact of debt. Spending has

been constrained by soaring debt service burdens in all sectors. The total debt of households, businesses and all levels of government rose from \$4,000bn in 1980 to nearly \$11,000bn \$4,000bn in 1980 to nearly \$11,000bn last year - a per capita real increase of nearly 50 per cent. Much of the debt financed current consumption and a variety of uneconomic investments, such as commercial real estate - much of which remains vacant. In effect, the baby boom generation of the 1980s demanded - and enjoyed - a standard of living that far exceeded the US's ability to produce goods and services. The costs will be borne well into the 1990s.

into the 1990s.

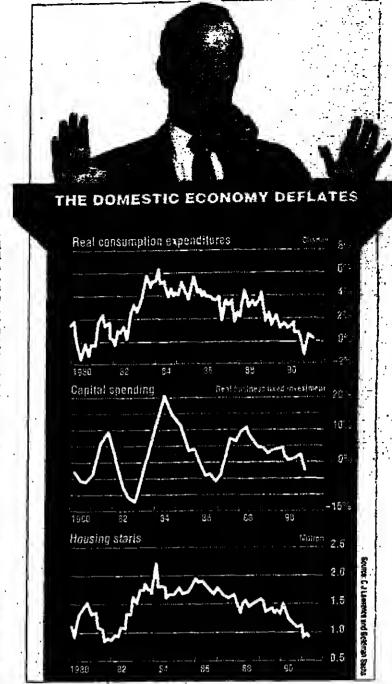
These longer-term forces helped shape a recession unique in recent US history. This downturn was not prompted by a sudden fiscal or monetary crackdown to curb inflation but rather by a gradual ebbing of corpo-rate profit margins, disposable income and consumer purchasing power.

Manufacturing companies, for example, began cutting employment more than a year hefore tha recession proper began. Then, last autumn, the shock of higher oil prices, following Iraq's invasion of Kuwait, knocked consumer and companies confidence. consumer and corporate confidence, prompting a much faster shake-out. If consensus forecasts prove accu-

If consensus forecasts prove accurate, the recession will be of roughly normal length, lasting slightly less than a year. The peak-to-trough decline in GNP will be just over 1 per cent, considerably less than the average fall of nearly 2½ per cent. But, as Morgan Stanley, the New York investment banking firm, points out, the anatomy of the recession will be distinctly untroleal.

anatomy of the recession will be dis-tinctly untypical.

Personal consumption usually acts
as a cushion, growing modestly
through the downturn; this time it
has accounted for 70 per cent of the
decline in activity. External trada
usually offers little support; this time
net exports have added the equivalent
of a percentage point of GNP, off-setting weak consumer spending, and
masking the severity of the domestic masking the severity of the domestic downturn. Cuts in inventories also appear to be playing a less decisive role due to better corporate stock con-trol techniques. Tha recession, in other words, reflected an intensifica-tion of existing trends, which



from consumers and towards exports.

The recovery is likely to be weak mainly because the "deflation" course prescribed for the excesses of the 1980s is far from complete. Indeed the gloomiest interpretation of the recent signs of an unturn is that only the shock of the Gulf war has been absorbed leaving the economy on its prior path of gentle deflation. An added worry is that export growth. which is already flagging, may grind to a halt as growth slows in confinen-

local governments may also retard recovery in some regions.

The scale of any upturn will thus depend heavily on the private sector's ability to sort out its problems. In theory a "Germanic recovery" in which falling domestic inflation prompts a decline in long bond yields and a sustained revival of-business investment is feasible. But with domestic demand likely to remain weak — and with international prosweak - and with international prospects uncertain - this would require US business to adopt an unusually long-term horizon. A weak and short-lived recovery is only too likely.

Why caution is advisable

have been falling since late March.

A surge in the arcane-sounding Purchasing Managers' Index alsowhetted appetites last week. The index, based on a survey of purchasite previous signs of incipient stering previous signs of incipient whetted appetites last week. The index, based on a survey of purchasing executives in 300 US companies, is one of the most timely and reliable books and production. Having risen steadily since January, the index last month crossed a threshold that historically has signalled economic expansion rather than contraction. The improvement followed a small rise in industrial production in April

orders since October.

A Commerce Department survey indicating that companies plan to

County Hall.
The consulate is headed by career diplomat Franz Joseph.
Goldschmitt who stresses that

Liverpool's decline as a port, not the almighty mess the city has got into. The shipping doc-uments that once dominated the consulate's work now

account for only 1 per cent

pool, however, is that there is now one less influential

group of foreign emissaries working there to put the city's worsening image abroad into a fairer context.

■ What's more, yesterday's occupation of Liverpool council

offices may make it inevitable that the coming contest to fill Eric Heffer's parliamentary seat there will be dubbed the

Channel 4 drama series about

similar metaphorical gross

bodily harming in a fictional

northern city - not Liverpool, of course - is destined for

■ Meanwhile, when it came to influencing the Thatcher government's broadcasting bill, Granada Television didn't

have much clout. It was too

or course – is considered for such over-exposure in the press that readers will be yearning for the Darling Buds of May.

Air waves

"GBH by-election". Indeed I fear the new

Punchy

The significance for Liver-

the reason for the move is

(which is certain to be bettered in

May) and tha first rise in factory

recovery. The housing market, for example, has been recovering in fits and consumer spending started to revive in February. Analysis say higher employment in May and a lon-ger work week should translate into higher personal incomes and consumption during the summer.

All told, say optimists, a recovery about now would correlate well with

past precedents. Share prices, a reliable forward indicator, began leaving ahead early in the New Year. At the sama time, sharp cuts in interest

monetary growth, which was atag-nant in the second half of last year. The composite index of leading indicators registered its third successive rise in April. A run of three increases has always previously signalled age by about five months, again suggesting a May recovery.

But caution remains advisable, Most of the indicators are signalling at best only the preliminary stages of an upturn. The charts mostly show tiny gains after months - sometimes years - of steady decline. Housing starts, for example, are np 14 percent from January's trough, but still down 40 per cent from the already depressed levels of the late 1980s; durable goods orders are 11 per cent below their peak; industrial produc-tion is down 5 per cent; employment is still more than 1.5m below pre-re-

ession levels.

The still uncertain outlook for the The stall-incertain outdook for the US consumer is perhaps the strongest ground for reserving judgment. Higher spending in the spring was partly at the expense of a slumping savings rate, which felt to 3.6 per cent of disposable incomes, the lowest least of the stall incomes, the lowest least least post the savings. Consumer confidence fell in both April and May, auggesting that euphoria following the Guif war has evaporated. Car sales, a crncial barometer of sentiment, have been consistently disappointing: an upturn towards the end of May left sales still far below the level that would indicate a vigorous consumer revival.

Recent encouraging data is thus suggestive of a short-term economic

rebound, but is still inconclusive.

Busman's **OBSERVER** lolly day

Germany is closing its consul-ate there — the only other one remaining of 15 a few years ago — and setting up instead 30 miles away in Manchester. German ambassador Baron von Richthofen will hold a reception tonight to open the Hong Kong entrepreneur
Tsui Tsin Tong, who has given
his money and name to the
new gallery of Chinese art at
London's Victoria and Albert museum, is one of those fairy tale figures hard-up curators reception tonight to open the new premises — a suite of offices behind newly installed bullet-proof glass in what used to be Greater Manchester'a must dream about.
When he first turned up

unannounced in 1979 asking to see the museum's collection of Chinese art, most of it hlushed unseen in a dingy basement because of a chronic lack of space. Tsul was not impressed. Today, 12 years and £1.2m later, he will be at the opening hy Prince Charles of the gallery now housing the

To listen to Tsui's well-oiled publicity machine he is one of Hong Kong's best-known philanthropists and has growing links with the UK. His Citibus operations in the colony already provide plenty colony already provide plenty
of orders for Leyland and he
has just won from London
Regional Transport a franchise
to operate Ensign bus services
to mystical destinations like
Romford and Dagenham.
Apart from making London's

buses run on time, he is one of many being tipped as a potential future chief executive of Hong Kong when it reverts to China in 1997.

But the UK antiques trade is unsure what to make of him. The latest edition of The Antique Collector dredges up some of his less savoury connections, accusing him of using great art to raise his ss and cultural profile" Funny how "old" money seems immune from such comments - good luck to you,

Ebbing tide

 As perhaps befits a country with a socialist president, France will soon be the only foreign power officially represented in Britain's erstwhile important port of Liverpool.



left-of-centre to be "one of us", as the lady liked to say, being wedded to notions about public service broadcasting. Now at last its moment has come. As it waits to hear if it will lose its north west

England stronghold to a con-sortium led by Phil Redmond's Mersey Television, Granada has been asked to help the Czechoslovak government with the drafting of broadcasting legislation. One thing seems sure. Granada won't be advising that Czech commercial television

licences should ultimately go to the highest bidder - the process now under way in the UK. Happy landing

■ One has to admire Britain's determination to be first back into Kuwait in as many different ways as possible following the the Gulf war.

Michael Weston was the first ambassador to return to his mission (he borrowed a helicopter). John Major, the first foreign leader, arrived almost before there were any Kuwaitis to meet him. Now British Air-

But it wasn't the first since the Iraqi invasion. That dubious honour went not to yesterday'a BA115, but to the ill-fated BA149, which landed a good two hours after Saddam's forces went in. A colleague who was on both flights reports a great improvement in service. Last time, on BA149, the plane was late... and his suitcase went missing even before the Iraqis Hard luck story

■ London's Hard Rock Cafe, a global pioneer of marketing an image rather than food, cel-chrated its 20th anniversary yesterday by charging 1971 prices for a day. The restauorant chain, owned by Rank
Organisation, now makes
almost as much from T-shirts
as from hamburgers.
But one thing has not

ways has notched up the first

post-war scheduled flight of a non-Gulf airline.

changed in Piccadilly. Rain or shine, there's always a queue outside, and that's not by chance. If demand flags, tables are shut down until a line of customers again snakes down the pavement.

Unhappy

■ If you think that trade awards are a doubtful honour your suspicions will be con-firmed by the latest survey on the quality of service offered by life companies.

The annual Sherwood-Money Week award for service excellence has been carried off by Scottish Amicable in both the life and pensions categories, and by Scottish Life in the mortgages section. But wait a minute, a similar

survey of quality of service published in April by the Alexander Consulting Group, a large firm of intermediaries, showed that out of 35 life companies Scottish Amicable came 30th and Scottish Life 34th. Perhaps the Scots are not amicable enough to everybody.

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FINANCIAL TIMES

LETTERS

would blunt competition

Prom Mr William Orake
Str. Mr Baldwin urges conadecation (Letters, June 3) for
a new credit institution to lend
at preferential rates to selected
businesses with up to \$200m

basinesses with up to 2200m sanual turnover.

The proposed margin of half a percentage point above Liber cannot be schieved without subsidy, yet it is not clear who should finance this, or why. It will certainly help the privileged companies which gain access to lower borrowing rates, but it is hard to see how it will help the economie. raiss, but it is hard to see how it will help the economy. Small and medium-sized companies are vital to Britain's economy and their prosperity is essential to economic recov-ery. Those not qualifying for preferential raiss will antier a

considerable handicap. This cannot be right.
The UK has a market infra-The UK has a market infrastructure in place, which is capable of instching demand for and supply of capital whether in the farm of squity or capital lovestors and lenders exercise their own ladgment of the proposals put to them. We may need some improvement in the quality of the presentation and the svaluation, but intervention in the form of subsidies will only blunt our competitive edge. blunt our competitive edge. William Drake,

Mint House, 77 Mansell Street El 8AF

Equality of opportunity

From Glyn Saunders.

Sir. Mr. W.E. Kaye's letter (June 10) concerning the absence of women on the board of Royal Dutch begs the question in stating that, "no doubt Royal Dutch would include a woman if there was one more competent than any of the present members". Even if it was not intended to say that a woman would have to be more woman would have to be more competent than all the other male members to earn a place on the board, it is precisely, because such doubt exists that the continuing vigilence of people such as Inga Haag (Letters, June 3) is essential to the achievement of genuine equalachievement of genuin ity of opportunity. Glyn Saunders. 15 The Crescent. Belmont. Surrey

Interest subsidy. Labour party policy for labour law and the minimum wage

tained many inaccuracies in respect of the Labour party's ductivity rather than miserable rates of pay.

Let me deal with the most obvious.

Let me deal with the most obvious.

On Jebour law, we have stready made it clear that the new industrial fourt will be a division of the High Court there will therefore be appeals on a point of lifeth exactly the same way as the present employment impeal tribunal it will have the full power to fine those in comment of court and to ensurestier these are paid and to present a law breaker using its fields to commit a heach of fliells w. All this has been made liver many times.

As for the light it is abound to say the purpose of this is "to compensate for unions fallure on recruitment".

It is the precise opposite it is a right, contingent on the free choice of the individual not the union. The right is to be exercised where the unions have recruited successfully but the employer refuses, irrespective of the degree of union membership, to allow the employes the right to be represented by the union where they wish to be.

resented by the union where they wish to be.

At the moment, the only recourse of the union member is industrial action. Our desire is to substitute a proper legal. framework for the anarchy of industrial conflict. On the minimum wage, the editorial becomes incoherent.

It attacks the notion of a low wage economy, rightly says that the demand for unskilled

From Mr Tony Blair MP. lahour is falling but then Sir, Your editorial of June 3 decries a policy designed to (Labour's labour market") con-ensure that competition is bet-

minimum wage, which should be taken together with other labour market strategies on training and personal development, is, as in other countries, to prevent employers undercutting each other on the basis of very low rates of pay, which does no good et all to the long-term future of the econ-

it is precisely for this reason that many employers oppose the abolition of the wages

We will introduce the mini-We will introduce the minimum wage et £3.40 per hour, which is 50 per cent of average male median earnings, rising when, and only when, prudent to 66 per cent. The US is now raising its minimum wage levels. The most recent study by the OECD into France found the OECD into France found no employment impact through introducing a minimum wage, contrary to your assertion. It will not apply to youth trainees, so the primary grounds for your attack, both in this and your education editorial, are false. And finally, the minimum wage is not some pay-back to the unions, as you suggest.

suggest.

In fact, it is most needed in the non-unionised private sector where employees have least bargaining strength, and are therefore dependent on the law rather than unions to protect

Tony Blair,

Compelling case for a social security pension age of 70

From Mr Ralph Instance.

Sir, If the new health strates of state-provided pensions and geriatric care will be luige. In corder to mitigate the growing for both men and women. This might even encourage them to future texpayers, is there not a adopt healthier lifes compelling case for raising the Ralph Instone, pensionable ages for social 7 New Square, security pensions? To avoid Lincoln's Inn. WC2 adopt healthier lifestyles.

Institutes ready for audit regulation

From Mr Ion R McNeill.
Sir, David Waller's report, "Touche urges audit regulation review" (June 7), was incom-

From 1987, the three Institutes of Chartered Accountants undertook extensive consulta-tion exercises among their firms about a future system of audit regulation based on pro-posals from the DTI. The exercise showed very strong sup-port by firms for the institutes undertaking the regulatory undertaking the regulatory role. As a consequence, members of this institute voted formally in June 1990 by a majority of 98 per cent for the institute to apply for powers under the Companies Act 1989 to regulate audit.

Also to 1990, e leading firm of City solicitors undertook e regulatory avitems disciplinary and regulatory systems.

plinary and regulatory systems to check that they complied with the institute's obligations under various acts of parlia-ment, including the Companies Act; that they afforded the minimum likelihood of legal challenge; and that they were even-handed between complainant and member.

With a few minor exceptions, the system received e clean hill of health. Those exceptions were dealt with in resolutions put to members earlier this month. They voted for relevant improvements to our professional conduct arrangements

by a majority of 95 per cent. The institute is now fully ready to make audit regulation ready to make audit regulation work effectively and impartially in the public interest, and in the long-term interest of the profession. The new system of audit regulation developed with the DTI will, however, only be implemented in the autumn. It may well need to be modified in the light of experience. But a review now of the whole philosophy behind the Companies Act would be a certain recipe for a delay of at least two years before alternative legislation could be introduced. Ian R NcNeill,

Institute of Chartered Accountants, Chartered Accountants' Hall, Moorgate Place, EC2

Edward Mortimer

Give Yeltsin a chance



hargain

Those were the two main questions debated by the 79th American Assembly, which met recently at Arden House, New York, for the purpose of "rethinking America's security".

Yon have not heard of the American Assembly? Neither, I must admit, had I, until I was invited to attend it. It is a sort

of quango, set up by Risen-hower in 1950. It holds nonpartisan meetings and publishes euthoritative books to illuminate issues of US policy".

The fact that humble foreigners such as myself are invited to take part in these gatherings of the great and the good helps, I think, to explain the success of the US as a hegemonic power. The harder they work you et drafting and redrafting reports, the more you become convinced of your own importance, and the more you find yourself identifying with the consensus which the drafts are supposed to embody. The high point for me came when e text I had drafted on "America's role in the new international order" was critic-

ised, by an American, for its "excessive triumphalism". If triumphalism was not in order, it was not because Americans have lost their belief in "the need for Ameri-can leadership". Of that the Gulf war has convinced them Gulf war has convinced them more than ever. On the contrary, the assembly feared that if domestic problems went nnaddressed, Americe's "capacity to take necessary actions internationally would, over time, diminish". Yet it remains true that this mood, which mingles reliaf at "the which mingles relief at "the end of communism and the rise of democracy" abroad with anxiety about declining standards at home, is not helpful to people who want the west to make e bold and imaginative commitment to the transforma-

tion of the Soviet Union.
Those people were well represented at Arden House. Our "programme director" was Mr Graham Allison, the leader of the Harvard team which has

The attempt to reform Russia may well fail; at least let it not fail through western indifference

economist Mr Grigory Yavlin-sky on the latest radical plan to integrate the Soviet Union into the world economy. Mr Yavlinsky himself addressed the company of the latest radical plan to integrate the Soviet Union into the world economy. Mr Yavlinsky team proposes. They do propose that the G? the assembly on its first evening, before being whisked away to a meeting at the White House. Later he returned to Arden House and spent the remainder of the weekend etruggling to get the plan ready for presentation to Fresident Mikhail Gorbachev. This arrangement enabled Mr Allison to shuttle back and forth between supervising the salvation of the Soviet economy on the one hand and supervising the rethinking of America's security on the other.

security on the other.
Also present was Mr Robert Blackwill, another member of the Harvard team and co-an-thor with Mr Allison of an

Yavinsky team proposes.

They do propose that the G7 group of leading industrial countries, at its July summit, should offer "substantial financial assistance": \$15hm to \$20bm per year for the next three years, the cost to be shared between the US, Europe and Japan. This would not go in Japan. This would not go in one lump sum to the central government, but would be divided between the centre and the republics. Some would go for general balance of payments support; some would be for developing infrastructure; and some would provide "an adequate safety net as part of a general 'conditionality programme' thet followed basic IMF-World Bank principles".

It is very much in western interests that the changes should take a democratic form. Spending money cannot guarantee that; handing over money in advance might even guarantee the opposite

article entitled "America's stake in the Soviet future", in the new issue of Foreign Affairs. This time last year Mr Blackwill was e senior adviser on Soviet affairs to Mr George Bush. He would cartainly be the last man to fall for any Soviet soft-soaping: I remember trying in vain to convince him, in 1988, that there were real signs of change in Soviet policy in the third world. Yet here be was pleading the cause of the "grand bargain", and now it was his turn to be frustrated by the caution and scepticism

of his colleagues in the "secu-rity community".

If the proposition were to give a blank cheque to Mr Gor-bachev such scepticism would certainly be in order. No one in their eenses imagines that Soviet economic problems can be cured simply by injecting large sums of money, still less by strengthening the present Soviet administration, whose reflexes are still those of e totalitarian state and whose idea of price reform is to issue

Special status for the Soviet Union in the IMF and World Bank would enable those insti-tutions to lay down the economic conditions for ench assistance - the essence of which would be e transition to a real market economy, and one element in which would be sharp reductions in fiscal and monetary deficits, to be achieved by cutting defence spending as well as subsidies to state enterprises. I should guess that the US would also insist on a full cut-off of aid to Cuba and Vietnam.

But there would be political

conditions too. Mr Allison and Mr Blackwill stipulate negotiations with the Baltic states, allowing independence as an outcome, plus a reaffirmation by "Soviet authorities at all levels" of "their international commitment to respect human rights of individuals within the Soviet Union whatever their national, ethnic or religious identification". They also call for "the sustained development of Soviet democratic institushould provide the "infrastruc-ture" in the form of printing presses, computers etc. They draw the line, however,

et "universal self-determina-tion", recalling the precedent of the US'e own civil war and the dangers to US interests if the Soviet Union were to disin-tegrate in violence. Personally I would put the emphasis on avoiding violence rather than on maintaining the Soviet Union's territorial integrity. I can see no western interest that would be harmed by Georgian or Ukrainian indepen-dence, if achieved in a peaceful and orderly manner, and certainly none that would be served by encouraging the cen-tral authorities to think that violent suppression of such separatism could be carried out with western support.
But on their main point the

Harvard enthusiasts are surely right. The Soviet communist system is clearly collapsing, come what may. It is very much in western interests thet this historic change should take a peaceful and democratic form. Spending money cannot guarantee that, and handing over money in edvance might even guarantee the opposite. But those who are ettempting to eteer the change in this direction do need encouragement, and if the ettempt is made seriously money will certainly be needed to alleviate the immediate hardship. immediate hardship involved, perhaps even to pre-vent complete economic collapse with widespread starva-tion and ettendant violence. The sums of money suggested are small in western terms — about 0.1 per cent of the indus-trial world's gross national product, and for most western countries much less than they

countries much less than they can save through defence cuts if the experiment succeeds.

Such e conditional offer does not amount to "helping Gorhachev", unless perhaps it helps him to come off the fence at last on the side of democracy and the market. It should be seem as helping those in Pus. seen as helping those in Rus-sia, and the other republics, who are determined to ettempt the transformation with or without Mr Gorbachev's help. If Mr Boris Yeltsin today becomes the first elected ruler in Russia'e history, then it could legitimately be seen as helping him, and through him the people who will have elected him.

Why Mexico should be seen as attractive to international investors From Mr Carlos Alberto Mexico for some time, after recently come to the market. and publicised The dramatic

onzolez their bruising exp Sir, it is laudable that the debt crisis". Sir. it is laudable that the debt crisis".

Damian France should attempt the contitle task of tackling the contitle task of ta

Though a large portion of such bonds and notes end up in the

decline during the last 12 months in yields on Mexican public-sector securities (from about 12 per cent to under 10 per cent per annum) attests to the remarkable recovery of the

Mexican economy and reflects the fact that the market is confident that — as Mr Fraser points out — Mexico stands to benefit enormously from this unprecedented negotietion with the United States.

PERSONAL VIEW

Brussels needs fast-track authority for Uruguay Round

By Jeffrey Schott

WHEN leaders Mats Hellstrom, Sweden's agriof the G7 cultural minister. The problem
group of lead is one of political process how
ing industrial to get from here to there,
US and European negotiaion the committee conion committee conion the get from here to there,
US and European negotiaion for the ion in the Gait have been
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ion of powers th they will again face the probthey will again face the problem that made their corresponding summit less year so unproductive how to resolve the impasse over agriculture by contrast, in parliamentary and thereby reinvigurate the Urugusy Round of the Gatt negotiations.

Fasture to improve upon their 1990 farm accord, which ordically came unstuck and contributed to the breakdown of the Russel's ministerial meeting isst December, would leave the Gatt talks adrift and the Tokyo Round of the Gatt talks adrift and the Tokyo Round of the Gatt talks adrift and the Interpovernmental playing that a gargerated, the EC process poses a threat to the negotiations that in many respects is comparable to what would exist if the US did not have fast-track authority.

Fast-track authority.

Fast-track allows US negotiators to go to Geneva and work out the best deal possible, and then bring it home with a reasonable expectation of approval by Congress. The EC process poses a threat to the negotiations that in many respects is comparable to what would exist if the US did not have fast-track authority.

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Fast-track allows US negotiators than bring it home with a reasonable out the best deal possible, and then bring it home with a reasonable expectation of approval by Congress. The EC process assures approval, but at the cost of negotiating and the expectation of approval by Congress as at pack authority.

Fast-track authority.

Fast-track authority than bring it home with a reasonable expectation of approval by Congress. The EC process as the at the total to wat the US did not have the US did not ha

stimulii leaders with little in the early 1960s to level the meaningful to say about trade. Why all the fuss about agriculture, which accounts for congress to extend fast-track only 12 per cent of world trade? Simply put, agriculture is the linchpin of the Uruguay Round. It is not the most Uruguay Round. Round in agriculture are needed to behave concessions in the carry 1960s to level the intergovernmental playing intergovernment in the care.

The EC problem is most evident in the case of agriculture, where both EC foreign and agricultural ministers and Commission officials cannot even agree among themselves on proposals to reform the important issue in itself, but EC negotiations in the case of agriculture, where both EC foreign and agricultural ministers and Commission officials cannot even agree among themselves on proposals to reform the important issue in the case of agriculture.

EC negotiators face a different in the case of agriculture, where both EC foreign and agricultural ministers and Commission officials cannot even agree among themselves on proposals to reform the case of agriculture.

in other areas so that agree. Commission negotiators do not ments can be reached across. work for elected officials; their ments can be reached across work for elected officials; their disputes between the directorine broad range of the Uroguay Round agenda from the Council of Ministers
A compromise solution to representing the 12 member and agriculture and their
representing the 12 member and agriculture and their ministerial masters, EC negotithe agriculture impasse is not states of the European Commutoo difficult to concepts; almost mily has hammered out a negoall Catt members are likely to mily has hammered out a negoaccept, an outcome that the directorand generals for external relations and agriculture and their
ministerial masters, EC negotiabout leash in Geneva that the
Gatt talks have barely got past
the shouting stage.

If substantive negotiations on agriculture are to proceed
presented in Brussels by Mr.

Hitle room to compromise with

disputes between the director-

goal of completing the Uru guay Round by the end of 1991, community negotiators will need a *modus vivendi* similar to the US fast-track authority to help resolve the impasse between the Commission and the Council. To that end, EC from the constraints of the current negotiating mandate on agriculture and simply told to get the best deal possible. When the final package of agreements is presented to the Council of Ministers at the concials can then decide if the results justify their support.
This procedure would effec tively give EC negotiators fast-

e successful outcome to the To be sure, a fast-track solution would reopen the basic debate over the separation of powers between the suprana-tional authorities in the community. Obviously, this fundamental issue cannot be resolved in the time-frame of the Uruguay Round. But a limited trial for agricultural negoageable, and could prove instructive for future deliberations on the broader political

track authority for agriculture - and increase the chances for

question facing the EC.

The author is a research fellow at the Institute for International Economics in Washington, and editor of Completing the Uru-guay Round (1990), published by the Institute for Interna-tional Economics.

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London, 9 & 10 July, 1991

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Dr Herbert Ungerer Commission of the European Communities

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FINANCIAL TIMES

Wednesday June 12 1991



PHARMACEUTICALS

Glaxo sells penicillin plant to Taiwan group

By Cifve Cookson in London

GLAXO HOLDINGS, Britain's largest pharmaceutical group, is to sell its Cambois penicillin plant in Northumberland to the China Synthetic Rubber Company of Taiwan. The deal is believed to be the first step by any Taiwanese company into European pharmaceutical

manufacturing.

The plant produces an estimated 1,400 tonnes a year of bulk penicillin G, about 10 per cent of total world production.

Most of its penicillin output, which is worth £20m (\$34m) a year, is currently sold to other pharmacentical commanies for pharmaceutical companies for processing into antibiotics

used for a wide range of infec-

Glaxo decided to sell Cambois to concentrate on highmargin patented drugs. Bulk penicillin manufacturing is a low margin activity, though It requires specialised fermenta-tion and separation technolo-

gies.
For CSRC, the Taiwanese company, the deal represents a diversification into Europe and into a new manufacturing sector. Until now, CSRC has con-centrated on heavy chemicals and steam and electricity gen-It is part of Koo's Develop-

ment Corporation, a conglom-erate with interests ranging from petrochemicals and cement to electronics and

Dr Michael Barber, a UK
pharmacentical consultant
who studies the world antiblotics market, called Cambois "an
opportunity of a lifetime. It's
the only free-standing penicillin plant in the western
world".

Other penicillin plants, such as SmithKline Beecham's large facility in Scotland, are linked into downstream antibiotic production on the same site. Global demand for penicillin-

cillin production is easier in cool climates. The fermenta-tion process releases a lot of heat and the 100 cubic metre based antibiotics is increasing only by about 3 per cent a year, Mr Barber said, but the Asia-Pacific market will grow much more rapidly over the next decade. CSRC is expected to use Cambois as a source of raw material for manufacturfermentation vats, containing penicillium mould and nutrients such as sugar, have to be maintained at 25 deg C. Dr Joe Blaker, managing director of Glaxochem, the UK group's primary manufactur-ing arm, sald a priority in sell-

ing Cambois was to maintain as many jobs as possible. The workforce is baing reduced from 280 to 210 through volun-tary redundancies and early

Hopes of

early UK

interest rate

cut dashed

By Rachel Johnson and

Peter Norman in London

THE BANK of England yesterday quashed market

hopes of an early cut in UK interest rates even though offi-cial figures showed a drop in the rate of underlying infla-

The Bank, using its money market operations, under-scored its determination to

scored its determination to maintain current UK interest rates by lending £530m (\$900m) at 11.5 per cent over the next nine days. This is well beyond Friday when the announcement of the retail prices index for May had been expected to trigger the next rate cut.

rate cut.

By lending for nine days at the base rate, the authorities have ensured smooth trading until after next Wednesday, when the June sterling contract on the London futures

market expires. Expectations of an imminent

Expectations of an imminent reduction in borrowing costs had gathered strength in London since late last week. Hopes were fueled by a report from the Confederation of British Industry, the employees' organisation, of falling wage settlements in the manufacturing states.

ing sector and expectations

that Friday's retail prices news would show the so-called

ping below 6 per cent.
Although the UK authorities

insist that falls in beadline inflation do not automatically

result in interest rate cuts,

ing antibiotics in Taiwan.

It would be difficult for CSRC to acquire the technology to build a new penicillin plant in Taiwan and the investment required would be about £100m. Although the price negotiated for Cambois has not been disclosed, it is far less

than that.
Another factor is that peni-

London's uneasy optimism FT-SE Index: 2,542.8 (+30.7)

If the stock market is a leading economic indicator, yesterday's FT-SE 100 close within three points of its all-time high does not seem to have convinced Sir Eric Pountain of Tarmac, His depressing AGM statement yesterday suggested that far from recovering, the economy is setting off on a fresh down-ward leg. Nor is he alone. Anecdotal evidence from a range of companies points to trading conditions remaining depressed for the rest of 1991. True, spring's flood of rights issues has slowed to a trickle,

weighing on snare prices.

The one bright spot for investors is the hope that the underlying as well as the headline rate of inflation is now declining. The latest producer price index, showing a marginal decline in the annual growth rate to 6 per cent, bears this out. But lower inflation will need to be followed by yet more interest rate cuts to pro-duce a convincing FT-SE rally. With sterling already showing the first signs of weakness at the prospect, the Bank of England is duly seeking to

dampen expectations.

The problem is that the timing of cuts has become ever more delicate as support for the government has waned. Even appearing to bring them forward for political reasons would be almost as bad for confidence as not cutting them

However good the inflation news, cuts will have to come in measured doses for some time to come. That may explain both the market's hesitancy and Sir Eric's gloom.

Guinness

The decision by LVMH to spend a further £230m or so on ing confirmation of the relative standing of the two companies. When the cross-holding agree-ment was announced three years ago, it might have seemed risky for Guinness to choose so large and ambitious

Since then, the LVMH share price has gone up by around 50 per cent while Guinness's has almost trebled. Guinness is as LVMH, while the Guinness stake accounts for nearly 40 per cent of LVMH's market value. It might seem rational for LVMH to conclude that its money is better spent on Guinness shares than on its own

Whether the Guinness share price can carry on bounding

GUNNE but the government's showing in the polls ought also to be weighing on share prices.

> ahead at this rate is another matter. The almost unparalrecent years has been based on a highly specific set of circuma highly specific set of circumstances, one of which has been the new-found determination by Scotch producers to push through price increases. That united front is now facing its first big challenge in the form of world recession and falling sales volume. At £10 a share, Guinness is on some 15 times prospective earnings. That is prospective earnings. That is scarcely unreasonable given the record; it may be tougher going from here, all the same.

Northern Foods

Northern Foods' 17 per centrise in pre-tax profits yesterday was in impressive contrast to the awful figures from Unigate the day before. The company's finances are in rude health, while recent heavy central finances are in rude health, while recent heavy capital expenditure is already showing signs of contributing to earnings this year. But however good the start to this decade, Northern Foods can scarcely look back on the 1980s with pride, Unigate has underperformed the market by 30 per cent in the past 10 years. Northern has underperformed by a quarter.

by a quarter. Nevertheless. Northern seems to have been quicker at returning to basics. The result last year was an improvement in operating margins from 8.6 per cent to 9.4 per cent. In the short term, the company's present optimism seems fully justified. Further out, one wonders whether the piggy-back ride on the UK's largest food retallers can continue to deliver the same growth for more than a couple of years. In addition, the challenge this decade will be to manage an expansion into Europe. North-ern Foods' shares have outperformed the market by 38 per cent in the last year, the result being a sector average rating of around 12 times prospective earnings. After all, they had a lot of ground to make up.

Speculation about a bid for Del Monte was predictably stoked yesterday by Fyfics 1660m rights issue of convertible preference stock. The proceeds lift Pyffes' net cash to around 1250m. This is comfortable enough by most standards, but surely not enough to land Polly Peck's fruit growing and distribution subsidiary, even assuming the administra-tors wished to sell. Del Monte could fetch as much as \$500m. coincidentally the amount of cash which the powerful US company Chiquita has raised in the last nine months.

on the last nine months.
On the other hand, Fyffes has to do something. The bulk of its profits appear to be made in the UK, where protection for Caribbean bananas afforded by the EC can no longer be taken for granted. No one believes that there will be a free-for-all after 1992, but it is not unreasonable to assume that cheaper central American bananas will be allowed improved access over the next few years. Fyffes has already established a foothold in Honduras, but it badly needs new sources which the likes of Del Monte would provide. Demand looks exciting in eastern Europe as well as inside the EC; but the new competition means that Fyffes could be hard put to maintain its strong earnings momentum.

SD-Scicon

SD-Scicon may regard the filem bid by Electronic Data Systems as an inself, but at 45p per share it compares well with both the 37p cash offer from Cray Electronics and the 41p paper alternative. That should be enough to knock Cray ont of the running, despite its announcement that its offer had been accepted by British Aerospace, which has a 25 per cent stake. BAe is only committed if Cray's offer goes unconditional, which will depend on investors buying its argument that, by taking on argument that, by taking on Cray paper, they can share in SD-Scicon's recovery. The trouble is that Cray is itself an uncertain recovery play, and its management has no real experience of the fixed-price software contracts that are the source of SD-Scicon's trouble. BDS would at least take the company off investors' hands at a price 80 per cent above its

EBRD ADVISES MOSCOW TO WIDEN PRIVATE SECTOR

Soviets pressed to reform economy

By Peter Norman, Economics Correspondent, in London

THE EUROPEAN Bank for Reconstruction and Development has advised the Soviet Union that it should act within six months to stabilise its econ-omy and begin a big shift in activities towards the private

The recommendations are part of a programme for reform of the Soviet economy that the recently established bank has snbmitted to the Group of Seven nations, which meet in London next month, and to

President Mikhail Gorbachev.
The plan, devised by Mr Jacques Attali, the EBRD president. Mr John Flemming, its chief economist, and Soviet, US and Japanese members of the EBRD's staff, was presented to the "sherpas", the seniors officials preparing the summit, late last week.

Mr Flemming and EBRD officials are now in Moscow to dis-cuss the ideas with the Soviet

The EBRD programme sets out ways for Soviet economic policymakers to establish their credibility while starting on the longer term goals of liberal-ising and privatising large sec-tors of the Soviet economy. It does not attempt to cost the proposed reforms, but Mr Attali and his senior officials clearly hope that their plan will influence debate on the

As a first step, the EBRD calls for clarification of the government and the republics. The bank urges the introduction of a stabilisation programme, led by the Interna-tional Monetary Fund, that would tackle price reform and the huge Soviet budget deficit, would control money supply and wages, and start mopping up the monetary overhang. It



Jacques Attali: will discuss the plans with Mr Gorbachev in Moscow at the weekend

also says the Soviet Union should begin moving to cur-rency convertibility, achieving limited convertibility within

six months. The EBRD sees itself playing a big part in reforming the economic structure of the Soviet

utes limit its lending to the Soviet Union to just Ecu60m (\$70m) a year for the first three years of its operation, its main role will be to provide technical assistance and advice.

The bank suggests a number of priority areas for reform, including the privatisation of small businesses, housing, tele-

communications and transport; the creation of private enter-prise and a modern banking system; the strengthening of agriculture and the food indus-try, and the development of a market-based energy sector.
In an example of what the

bank has in mind, the EBRD announced yesterday it had agreed to provide the organisational committee of the State Bank of the USSR with advice on setting up a Moscow-based

This would be majority-owned by western institutions and mainly concerned with project finance. As a first step, the EBRD will carry

ont a feasibility study.

Mr Attali will discuss the
EBRD's proposals with Mr Gorbachev in Moscow on Saturday. Before the summit, he also plans to meet western policymakers and Mr Michel Camdessus, the IMF managing

He is also expected to cam paign for an easing of the restrictions currently imposed on EBRD lending to the Soviet Union.

Economy under control, says Pavlov; Soviet oil workers given 40% pay rise; Poles seek to swap debt for nature,

they have twice this year eased borrowing costs on the same day as the release of the retail prices index.

Before the Bank acted yesterday, speculation of a cut received another boost when the Central Statistical Office announced that the output price index for home sales of manufactured goods rose by 0.4 per cent in May to an annual rate of 6.0 per cent. April'a rate was revised from 6.4 to 6.2 per cent. The Treasury said vester.

The Treasury said yester-day's news showed that "inflationary pressures at the whole-sale level have fallen sharply since the beginning of the

It said its preferred index of producer price inflation, which excludes food, drink and tobacco, was rising at an annual 5.5 per cent in May - the lowest since last January. This index was down a full percentage point since February, it said.

Yesterday'e figures also helped to iron out inconsisten-cies between different mea-sures of underlying inflation, as CSO indices have taken much longer than CBI surveys to register price falls. CBI sur-veys point to further falls in underlying inflation in the

underlying inflation in the coming months.

Sterling's relative weakness in the exchange rate mechanism of the European Monetary System is thought to have prompted the Bank's decisive move against rate cut speculation. The pound declined against a weak D-Mark, falling 1 plennig to DM2.945, below its DM2.95 central rate. It slipped from fourth to seventh position in the EMS exchange rate mechanism.

position in the EMS exchange rate mechanism.

London equities shrugged off the Bank's move, however.

The FT-SE 100 index advanced in sympathy with Wall Street to close at 2,542.6, up 30.7.

The CSO announced that the tenut relea index for manufact input price index for manufac-

turers' materials and fuel fell by 0.1 per cent in the 12 months to May. Government Bonds, Page 24

Tate & Lyle unveils an alternative to fat

By David Owen in London

TATE & LYLE, the world's largest sweeteners group, yes-terday unveiled Stellar, its principal entrant in the fastgrowing market for fat replace-Stellar and its rivals could help to realise many food man-

ufacturers' bopes to market guiltless pleasure in the 1990s. The products replace fat in foods from yoghurts to pizza cheese, making possible low-calorie products for increasingly bealth-conscious consumers without sacrificing the taste and textural characteristics associated with fat.
Tate's US-based AE Staley

subsidiary bas developed a starcb-based product from maize that meets US Food and

Drug Administration regula-tions on the use of "modified food starch". This means Stellar can immediately be used in a broad

range of food products, without waiting for FDA approval. Mr Neil Shaw, Tate's chairman and chief executive, said: Some food manufacturers have been researching the use of the product for some time

In its "creme" form - arrived at by mixing the powder with water in a process known as "shearing" - Stellar contains just one calorie per gram, nine times fewer than fat.

Tate eatimates world demand for fat replacement products, almost all of it in the oped by Monsanto's Nntra-Sweet subsidiary, have been on the market in the US for more

than a year. Procter & Gamble has been awaiting FDA approval for Olestra, a combination of fatty acids and sugar, since 1987. It recently narrowed the scope of its petition to cover one iso-lated product group: salted The size of the potential mar-

ket makes it easy to see why competition is intensifying. According to NutraSweet, overall retail sales of products in which Simplesse could be used

US, at \$200m a year, rising to \$800m by 1995. Frozen desserts containing Simplesse, a protein-based fat substitute devel-Tate expects products containing Stellar to start appearing in the US by the second quarter of 1992, soon after the powder is due to become available in commercial quantities. These Supplies will come

from a plant of unspecified capacity which will come onstream at Loudon, Tennes-see next April Initial marketing efforts will be focused on North America, with European sales conducted through Amylum CST, Tate's Belgium-based

Bundaberg bid, Page 19 Battle ahead, Page 29

Russians vote their way into history

Continued from Page 1

though debate is perhaps too

strong a word as the six never engaged head-on.
The main TV channel got most of them together in a studio on Monday night, with the notable absence of Mr Yelsin. Mr Igor Fesunenko, the chairman, allowed each a few minutes to answer sets of ques-tions, and never to challenge each other.

In their "big" interviews, the main talking points for an attentive electorate have often been the characteristics of the three minor candidates: the studied provincialism of Mr Kemerevo Council in Southern Siberia; the raucous and blunt Stalinism of General Albert Makashov; and the Wagnerian excesses of Mr Vladimir Zhirin-ovsky, leader of the Liberal Democratic party, who in the course of one TV interview ordered his questioner out of

the studio.
Few of the candidates have grown into television, a medium where Mr Yeltsin appears guarded - Mr Fesunenko gave him a rough ride in his interview last week – and

western eyes is of politicians, running for major office, who are not yet ruined by tha image makers.
Though they have generally

Mr Ryzhkov boring. However, even the boredom is at least real: the treat for

abstained from direct personal attacks on each other, their supporters have been much

less inhibited, in particular, the deal was done under his the pro-Ryzhkov press.
Pravda produced three professors from the corrupted

world of Soviet psychiatry to testify that Mr Yeltsin was power hungry.

Ahead of all, however, has been Sovetskaya Rossiya, the daily of the Russian Commu-

nist party.
Its eve-of-election issue was a "Get Yeltsin" special; Its lead story a rehash by the Soviet Procurator Mr Nikolai Trubin of the murky affair of a currency buying scandal involving both a British-South African businessman and documentation signed by the Russian government of which Mr Yeltsin is

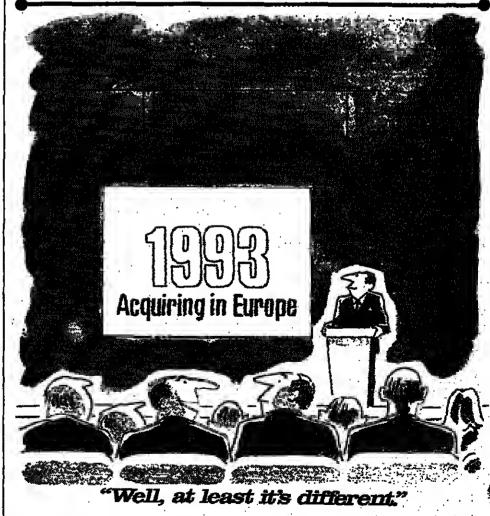
He never actually implicated

Mr Yeltsin, but insisted that

Organisationally, the elec-tion is strict. Candidates get Rs200,000 from the state, and can use their own savings, as well as donations from workwest as the voting today will be organised by local election committees with the help of local authorities.

For a candidate to win on the first round, he must have the support of 50 per cent of those voting and the total turn-out must be at least 50 per cent of the eligible 105m. Announcement of the first

official results will be much slower than in the west - next Monday - but, like the west, they will probably leak much



If you're looking for fresh ideas or need some lateral thinking to make your acquisition strategy take off on the Continent, talk to Peter Wisher on 071-248 4000.

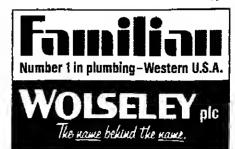


WORLDWIDE WEATHER

FINANCIAL TIMES COMPANIES & MARKETS

THE FINANCIAL TIMES LIMITED 1991

Wednesday June 12 1991



Leading US machine tool groups merge

Two US companies have combined to create the largest American machine tools concern. Giddings & Lewis, a leading automation systems maker, has agreed to acquire Cross & Trecker, the third largest US maker of machine tools, based in Michigan In 1990 Glddings & Lewis, based in Wisconsin, had sales of \$243m. and Cross & Trecker \$481m, Page 22

Yosper salls away with 18% gain



Vosper Thorneycroft, the UK warship designar Vosper Licorneycron, me Un warsing designar and builder, yesterday reported an 18 per cent increase to pre-tax profits to £14.3m (\$23.8m) in the year to March 31, Peter Usher, chairman (left) said ship sales prospects had been enhanced by the performance of its Hunt class minefunities in the Gulf war. Also pictured is Martin July managing director, with a model of the company's new Sandown mine hunter, which is entering service with the Royal Navy.

Slow fuse on German Big Bang



Regulators have finally lit the fuse on the longawaited Big Bang on the German stock market Last week, the Frankfurt stock exchange paved the way for the development of a more effective electronic securities trading system as well as the framework for rationalising the regional character of the German stock exchanges, But, as Katharine Campbell reports, there is still much caloling in smokefilled nooms to be done before the final count-down. Page 25

Braced for aluminium deluge

Nearly a third of the Soviet Union's aluminium output could arrive in the west this year, affect-ing prices on the London Metal Exchange, according to Mr Day Flaa, vice chairman of the European Aluminium Association, Page 30

Government bond table widened Growing International Interest in the high-yielding European government bond markets has prompted the Financial Times to Include Spanish, Italian and Danish bonds in the bench government bond tabla from today. Page 24

Mercury Communications

A report in yesterday's FT said that Mercury had decided not to complete head-on with BT in the UK residential market. The position is that with its owns services and in conjunction with partners in the cable TV locustry, although it will not provide lines direct to people's homes.

Mercury's extra costs, Page 6

Market Statistics

FF int bond size

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38 World commodity prices
25 World stock mixt indices

Chief price changes yesterday

Recovery on the world stock markets allowed the group to take profits on investments. Barnings would also benefit from appreciation in US, Canadian and Australian dellars. Australian dollars. Mr Spälti said a "a certain opti-

although premium income rose by 41 per cent to SFr1248bn, an increase equivalent to 9.7 per cent in local currency terms. Shareholders are receiving an unchanged dividend of SFr68 per share and SFr13.60 per participa-

report published yesterday marks a considerable advance towards a fully consolidated statement, Shareholders' equity is restated

SFr3.79bn against the SFr2.66bn shown in the 1989 report. Under the new reporting principles the 1989 figure should be adjusted to SFr4.64bn.

year, a decrease in equity in some foreign subsidiaries and the

SD-Scicon rebuffs £116m GM bid

SD-SCICON, the UK computer services company fighting a hostile bid from Cray Electronics, yesterday received a counteroffer from Electronic Data Systems, a subsidiary of General

The 45p-a-share cash offer from the US vehicle group values SD-Scicon at £116m (\$197m), some 21 per cent more than the cash alternative in Cray's offer and £7m more than its paper offer. The SD-Scicon share price rose 4p to 47p on the stock exchange in London after the EDS bid was

SD-Scicon rejected the new overture, saying that both the

IMRY Group, the British

company taken private in a highly leveraged £314m deal in

1999 at the peak of the UK property boom, has agreed a restructuring package under which Barclays Bank has increased its

loans to Imry and its parent com-

pany to more than £400m

The restructuring, accompan-

ied by a change in ownership, reflects the fall in property val-ues over the past year. This pro-vented inny's parent company, Marketchief, from making suffi-

cient disposals to repay its bank loans. It also risked a breach in

By Vanessa Houlder, Property Correspondent, in London

Shocks and

new release

at the issue.

midday yesterday, the stock firmed \$1% to \$95%.

If the share price does not recover and investors believe the take-up is likely to be high, they may simply walk away from the deal rather than pay a premium for new shares.

for new shares.
This could be one fatal flaw of

the scheme. Another, claims a British banker, is that the structuring of the deal, and the uncertainty over the final price of the shares, makes it impossible for a market to develop in nil-paid rights — a feature of the UK system which allows characteristics.

tem which allows shareholders to sell the entitlement to buy

to sell the entitlement to buy rights issue shares.

The presence of an under-writer may help dispel the uncer-tainty around the offer, particu-larly as the rights are not being offered at a deep discount, but there is no underwriter for the deal

probably subscribe, believes the offer makes sense for the com-

Other shareholders are less

confident. Mr DeWitt Bowman,

chief investment officer at the California Public Employees Retirement Fund, said: We are

Time Warner's rights offer

ESS than two years after

Time upset shareholders by rejecting a \$200-a-share

by rejecting a \$200-a share takeover bid by Paramount in

Warner Communications, the world's biggest media and enter-taiument company is rattling

shareholders again with its con-fusing rights offer.

Last week Time Warner announced it would issue 34.5m

new stocks through a \$2bn-plus rights offering. Shock waves ran through the US investment com-

munity as Time Warner had been signalling to Wall Street for mouths that it it expected some

large international companies to invest in parts of its business to reduce the debt/equity ratio. The Warner merger had loaded tha company down with more-than \$11bm of debt and servicing

which pushed Time Warner into a 1990 net loss of \$227m although the company's annual cash flow of about \$2.3bn

allowed it to comfortably service

The rights offer has confused

The rights offer has confused and angered some investors. First, the company chose a British-style rights offering, under which investors are offered new shares in a company in proportion to their existing holdings, a technique almost unknown in the US. But even one British investment banker said: "To call it a rights issue is almost to confuse the term. It is a rights issue only in that current holders are being given the first crack."

being given the first crack."

The company, which has about 57.6m shares on issue, will offer each shareholder 6/10 of a right at a price that will translate into

\$105-a-share if the offer is fully subscribed. If fewer shareholders exercise their rights, the pool of new shares will be distributed between the subscribers, pro-

vided at least 60 per cent accept the offer. The lower the number of shareholders who take up

their rights, the lower the price

they pay per share, with a floor of \$63. Shareholders will not know how many shares they are allocated until after the offer

the borrowings.

Cray and EDS offers were unsolicited and far too low.

with the claim that British Aerospace, holder of 25 per cent of SD-Scicoo, had already given "irrevocable support" for its cash

alternative.

The BAe undertaking is only hinding, however, if by July 8 Cray has received acceptances from more than 50 per cent of shareholders and can declare its offer unconditional. After that date, BAe would be free to accept

EDS claims to be one of the strongest information technology service companies in the world

Mr Wolfgang Stolzenherg, Canadian businessman who was

in the consortium that took over

Imry in 1989, is buying out its other investors. Eagle Star and Prudential-Bache which, like Mr Stolzenberg, invested £31.7m in loan stock in Marketchief, both

receive £3m for their holdings.

The equity investors have each received £1 for their original investment of £1.25m. In addition to Mr Stolzenherg, the equity investors were Eagle Star, Prudential Bache and Development & Realisation. Trust, a vehicle

controlled by Mr Stephan Win-gate, who engineered the Imry takeover.

with sales in 1990 of \$3.6bn

It has experience with the kind of fixed-price contracts that tripped up SD-Scicon and helped it to a £20m loss last year, rendering it vulnerable to a bid.

Mr Juergen Berg, EDS European group executive, said SD-Scicon would fit perfectly into the company's expansion plans in Europe and that there was a strong overlant in industry brown.

strong overlap in industry know-ledge and technical skills. However, EDS arrived in the UK in 1985 amid some controversy when some executives were

Imry agrees £400m rescue package

told to tell immigration officials

"Mr Stolzenberg was prepared to buy us out at more than the company is worth," said Mr Colin Parker, investment director at

Eagle Star. "It was a highly geared property company which was acquired at the wrong side of

the property cycle."

Barclays has extended its origi-

nal £214m loan to Marketchief,

Imry's parent company, oo to a medium-term basis and agreed to

roll up interest payments for a

It has also provided a new

£200m loan to Imry, which was at

risk of hreaching its loan cove-nants following the fall in prop-

that they were oo holiday while its defence, published on Mon-(£2.1bn) and pre-tax profits of their work permits were being day, that it had put the worst of its troubles helind lt. Brokers

Mr Clyde Ziegler, managing director of EDS's UK division, said he was confident that this incident would not prevent the company winning substantial orders in the UK public

> won two contracts to run Depart-ment of Social Security data cen-tres and oearly half its sales of £100m that year were in the pub-

SD-Scicon is understood to have been confident that it could have seen off Cray's hid based on

which largely steme from a £150m stand-hy loan facility agreed at the time of the take-over, will pay back an £85m loan from a syndicate headed by Citi-

hank and finance new trading opportunities. Barclays has also

Imry's developments.

A spokesman for Barclays said that the restructuring reflected the change in the market place since 1989. The new loans were

partly secured unlike its previous exposure, he added.

Barclays has also provided "significant" funds for a new

joint venture involving Imry

which will seek new investment,

ruaranteed a £19m loan on one of

had estimated pre-tax profits of about 25m this year and £8m for 1992 compared to the £20m loss

last year. However, the emergence of EDS raises significant doubts that SD-Scicon will retain its

independence. The focus of the defence is likely to shift to whether EDS is offering enough and to possible further offers from other worldwide information technology companies seeking a foothold in Europe before the single market

trading and development oppor-tunities, Mr Myers said that the

new company, Commercial Prop-erty Corporation (CPC), was con-

sidering the acquisition of a £30m property portfolio, after which it would still have "tens of mil-

lions" available to it. Mr Myers said that Barclay's support for CPC "was a vote of confidence in

the management". CPC is a joint veoture between

Imry and a new company called

Vines Management, set up by Mr Martin Myers, Imry's chief execu-

tive to manage Imry's assets. Mr David Davies, chairman of Imry before it was taken over, will be

the chairman of CPC.

unveils new car range

By Kevin Done

VOLVO, the Swedish car and truck maker, yesterday unveiled a new range of large family cars, the 800 series, as the first result of the company's most ambitions development project. Volvo said it had invested

about SKr16bn (\$2.5bn) to develop and produce the range, making it the higgest single industrial project undertaken in Sweden. The 800 series is set to

become the company's main vol-ume car, eventually replacing the Volvo 200 series.

The range is likely to be the last car series to be developed alone by the company. Mr Pehr Gyllenhammar, Volvo chairman, confirmed yesterday that future prodoct geoerations would be developed with Recault of France, the Swedlsh gronp's industrial partner.

The financial hurden of devel-oping the 800 series has hit Volvo's profitability in the last conple of years. The surge in capital investment and research and development spending has coincided with a recession in Volvo's main markets of the US, the UK and Scandinavia, plunging the car operations into loss in the last 18 months - with an operating loss of SKr855m in 1990.

With the range, Volvo has switched to front-wheel drive for the first time in its large cars. Much of the SKr16bn invest-ment for the 800 series has been spent on modernising Volvo's main engine, gearhox and stamping plants in Sweden. Volvo has also invested heavily at its assembly plant in Ghent, Belgium, where the series will be produced.

The car will be launched in Scandinavla in September; in Germany, the Netherlands, Bel-gium and Switzerland during the late autumn; in sonthern Europe and Japan early next year, in the UK, next summer; and in the US in September 1992.

Production is forecast to reach about 25,000 units in the first year, but Volvo aims to reach a peak ontput of more than 200,000 of the cars a year during the first half of the 1990s. Volvo will decide next year

capacity in Ghent - currently about 135,000 a year - or to begin production of the series also in Sweden. However, Mr Gyllen-hammar said that the Ghent plant had achieved 25 per cent higher prodoctivity than the company's Swedish operations. Of the SKr16hn investment, some SKr12bn has been spent in Sweden and SKr2bn in Ghent.

BALLOW AND SERVICE BEAUTIFUL AND THE PROPERTY Property of the state of the state of the state of SHARE PRICE PRE-TAX LOSS thrills from a - 200 - 150 100 Karen Zagor reports on reaction to Time STEVE ROSS. CHIEF EXECUTIVE Warner There is a dual incentive to participate - although critics describe it as coercion. First, would mean dilution of an inves tor's stake in the company. Second. there is the possibility of buying the shares for as little as \$63 if enough shareholders baulk The company's share price, which had climbed to \$120 on the New York Stock Exchange from NET DEBT about \$70 in September, tumbled 20 per cent in the three days after the rights issue news. By

finding it difficult to determine how we will respond. It forces us into a speculative situation.

From our perspective, there is definitely a sense of disappoint-ment with the offer." Time Warner expects proceed of between \$2.1bn and \$3.5bn, which it will use against debt.A reduction in deht would strengthen Time Warner's halance sheet and the company hopes a lower debt load will help it attract the foreign investors it has been courting for "strategic

The jury is still out on the wisdom of the Time Warner

merger. Most of the cross-media ventures at Time Warner have been fairly minor. For example, subscribers to Time publications receive promotions for Warner films; Warner Brothers now has access to the Time Warner database, which helped the studio promote "Memphis Belle" a Second World War film, to people who had bought war books or movies. Warner's involvement was minimal in a big marketing package with Chrysler, which is expected to generate advertising revenues of more than \$40m.

deal.

The large number of investment banks involved in the deal has also upset shareholders. The aggregate fees are expected to range from \$41.5m to \$145m for what is perceived by some as little work and virtually no risk.

A money manager at Capital Guardian Research, which holds about 2.23m shares and will probably subscribe believes the Wall Street says the most immediate benefit of the merger is the clout that comes from size, allowing Time Warner to dominate most of its markets. Whether the company has the clout to persuade shareholders to cough up the cash for the rights

Management buy-out of

Page Engineering (Holdings) Limited

and its subsidiary

Page Aerospace Limited

AB Electronic Products Group Plc

£6,950,000

Arranged and led by: LLOYDS DEVELOPMENT CAPITAL LIMITED

£3,100,000 of equity provided by Lloyds Development Capital Limited Kleinwort Benson Development Capital Limited Phildrew Ventures

> £3,250,000 bank finance arranged by: Bank of Scotland



LLOYDS DEVELOPMENT CAPITAL

Swiss insurer expects recovery

pany in the long-term.

By William Dullforce in Geneva

WINTERTHUR, the Swiss insurance group, expects to renew its profit growth in 1991 which had upset Winterthur's after an unexpected 9.5 per cent drop in net earnings last year.

Premium growth during the first five months had been very favourable," said Mr Peter Spälti, chairman and chief executive.

Recovery on the world stock by 41 per cent to SFr12.48bn, an

Winterthur's 1990 annual

The decline in equity thus revealed for 1990 stems from the depreciation of goodwill on the \$630m purchase of General Casualty, the US company bought last

INTERNATIONAL COMPANIES AND FINANCE

Thomson to go on | Goldman Sachs heads towards a half-way house with merger plan

By Charles Leadbeater, Industrial Editor, In London

THOMSON, the French state border acquisitions and joint owned electronics group, will press ahead with plans for an eventual merger of its semiconductor operations with those of Siemens and Philips. despite raceiving a cool response to the proposal earlier this week, Mr Alain Gomez, Thomson president, said yes-

Mr Gomez said the sceptical response from Siemens of Germany and Philips of the Netherlands to the idea of a merger with SGS-Thomson, the Italian-French chip maker, would not force Thomson to

change tack.
He said political and commercial pressure would eventually force the companies to reassess their position. Mr Gomez said Thomson had no plans to seek a partnership with a Japanese or US chip maker as an alternative to a

European merger. Mr Gomez predicted acceler-ated cross-border restructuring in the European defence elec-tronics industry in the wake of the end of the Cold War. He predicted this would take onsignifit, there was a need for the form of further cross- greater protectionism, he said. the form of further cross-

Tha recent agreement between Thomson's dafence electronics subsidiary Thom-son-CSF and the UK's GEC-Marconi to form a joint com-pany to research, develop and eventually produce the next generation of airborne radar was one model for the future,

Mr Gomez said there was an urgent need for open competition in European defence procurement and greater cohesion to defence policies to ansure European companies would be strong enough to meet the challenge which Japa-nese and US producers would mount at the end of the

He indicated that the French industry was most in need for further consolidation in line with similar moves in Germany, Britain and Italy. In contrast with other areas of electronics such as semi-conductors and consumer electronics, where European producers

Tate may modify bid for Bundaberg

By David Owen in London

TATE & LYLE will probably modify its hostile A\$825m (U\$\$244.4m) bid for Bundaherg Sugar, Australia's third largest raw sugar producer, following yesterday's approval of the offer hy Australian foreign investment authorities.

Mr Neil Shaw, Tate chairman and chief executive, said that it was "highly likely" that the UK sweeteners group would amend its condition that the bid receive 90 per cent shareholder acceptance.
It remained in the balance

wbether the threshold for acceptances was amended to 50 per cent or nearer two thirds, he said. Mr Shaw stressed that Tate

would "walk away" from the Queensland sugar miller and rum distiller rather than again raise its revised A34.10 per appointed Australian trea-surer, yesterday announced he had no objection to the Tate hid and that an interim order

wait after the submission of advice from The Australian Board (FIRB) to Mr Paul Keat-

tion to accept or reject an FIRB

Bundaberg is Tate's first hostile bid since it won Staley Continental, the US corn syrup producer, in 1988. Institutional battle ahead;



equivalent to some \$150m, if rumours of the \$600m profits made by this very

private partnership are to be believed. It employs only a sixth of the group's

In terms of its presence in London, Goldman also figures prominently.

Whila other investment banks are shedding staff and trimming over-heads, Goldman has just moved into a

gleaming new colossus of an office block, built in London's Fleet Street,

former home of the newspaper indus-

ego-driven expansion of the invest-

ment banking world before the Octo-ber 1987 stock market crash. It was

conceived only months before the

loss of SKr4.6bn in 1990, its

The building is reminiscent of the

Eugene Fife: European operations made a quarter of group's worldwide profits

Having developed the building at a cost of \$250m, (\$425m) Goldman sold half the equity to an insurance company and has let half the space. It reckons the rental costs are about equal to what it would have paid for its old London offices, which were due for a rent review (the building was built by and is owned by one group of Goldman partners, and is let to the

current partnership – hence the need to set an arm's length rent). However, considering its signifi-

cance to Goldman, the European business seems almost peripheral in management terms. Of the bank's 146 general partners - those who have an equity interest in the firm - only 17 are based at its European headquarters in London. Of these, just five are non-American. Goldman needs more partners in Europe and more European nationals as partners. Mr Fifa says that Goldman does not

operate a revolving door policy, spin-ning senior US staff through Europe and back out again, but this is only part of the task of building a separate management with the clout to establish itself in the Goldman hierarchy. Goldman has made its name in Europe through cross-border mergers and acquisitions and privatisation work. Its appointment to advise ICL following Hanson's abrupt appearance on its share register, has confirmed

that standing.

In the league-table obsessed investment banking business, Goldman is persistently at or near the top in terms of cross-border M&A. Such super-leagues need to be taken with a pinch of salt, as they do not distinguish between advisers' functions.

For instance, Goldman was associated with the merger this year of Nat-ionale Nederlanden, the Netherlands'

biggest insurer, and NMB Postbank, but it was there only to give an inde-pendent opinion on the terms of the deal, not to advise. When asked which banks have been the most successful in European M&A, though, competitors all men-tion Goldman first.

erable time to develop its own equity research and sales staff. Though small (with just 22 researchers, who also work on corporate deals), the equity side has recently graduated to some big bought deals, most notably for Elsevier, the Dutch publisher, late Hardly any of the investment bank-

ing operations in London are driven from the US. Only 18 per cent of the deals last year involved a US corporate client - compared with roughly 90 per cent five years ago, when Mr Fife came to London. The precision of tha calculation betrays Goldman'a anxiety to change the popular image of US banks in Europa.

lisewhere, Buropean income is heavily dependent on US cli-ents. Many of the trading activities, from foreign exchange to fixed income, work largely for the London arms of US financial institutions. And despite a strong range of businesses based in London, there are still surprising weaknesses – principally asset management. While it manages around \$250n in the US, it has only begun to develop skills in London in

this area in recent months.

Two things are likely to determine whether Goldman still stands at or near the top of the heap by the end of the decade. First, it needs to establish a stronger presence on the Continent. Its success at building a corporate client base aside, it still feels like an

Having avoided the buying madness that preceded London's Big Bang in 1986, it has taken Goldman considerable time to develop its own equity oddities of countries in which it oper-

occurres of countries in which it operates. But this only serves to highlight the insecurity the bank feels when it comes to dealing with Europeans.

Goldman also has few people outside the UK (about 100, in various branch offices). Rehousing 1,000 people to a flacthin bankuarters in least ple in a flagship headquarters in London demonstrates its confidence in that city's place in Europe for some time to come, but appears to turn its interest away from the continent.

Goldman plans to increase its London office space - and hy implication its London staff - by a third in the next five years, according to Mr Donald Opatrny, the partner who master-minded the new office development But another London partner says he expects the London staff to decline in the coming years as more skills are

exported to the continent. exported to the condition.

The second challenge is the extent to which Goldman can bring Europeans into senior management positions. Mr Fife talks warmly of the international outlook of a competitor.

J. P. Morgan, epitomised by the multi-national flavour of its senior staff -

although be stops short of pointing to it as a role model for Goldman. Building a stronger European part-nership will take time. The bank creates partners only once every two years, and it is nearly 18 months before the next round is due. By then, its small, US-dominated senior management in London will look even

crash, in fact, when Goldman bought the site from The Daily Telegraph. But the outward impression belies the steadiness of Goldman's development. Saab to get SKr5.5bn injection

receive SKr5.5bn (\$900m) from its joint owners, Saab-Scanta and General Motors, to cover This ended a tense six-week

ing, the former treasurer. The treasurer has the discre

recommendation.
Tate launched its offer on per cent stake in the Swedish car manufacturer at the end of March 19 at an initial A\$3,70 a share, valuing Bundaberg at

By John Burton in Stockholm and John Griffiths in London SAAB AUTOMOBILE is to first year of operation as a joint venture between Saab-Scanis and GM, and it reported a loss of another SKrlbn dur-

losses and halp finance an ambitious new model proing the first quarter of this The iosses have almost The capital injection, with Sash-Scanla and GM each providing haif, will consist of new equity and subordinated loans.

It will hring to more than wiped out the company's original equity of SKr6.Abn. The losses reflect not only declining sales, but also an extensive rationalisation pro-\$1.15bn the total amount invested in Saah Automobile gramme, including the closure of Saab's modern car assembly plant in Malmo, opened only 18 by GM since it acquired a 50

Saab plans to introduce three new car models by 1995. The first, a successor to the The strengthening of Saah Automobile's capital structure will enable it to seek a medium-term loan to handle elderly 900 series, is scheduled to ba launched within two the rest of its funding needs.
Saab Automobile suffered a

months ago, in order to ease

This will be followed by replacement of the 9000 series

and the addition of a top-of-thesame luxury car.
Saab sales have fallon steeply in the past couple of years to 93,231 in 1990 from a peak of 127,180 in 1986 - with a particularly sharp decline in

tha US. By contrast, in 1986/87 Saab could not build enough cars to keep up with demand and it was projecting sales rising to 150,000-180,000 by the mid-

GM is relying heavily on Saab to increase GM's presence in the European executive car market, where the perfor-mance of its top of the range Opel/Vauxball Senator has been disappointing. Its strategy is similar to that of Ford, which spent just under £1.5bn (\$2,55bn) acquiring Jaguar of the UK.

Hafnia takes property stake

HAFNIA, one of Denmark's largest Insurance-Based finance groups, has acquired a entianshavns Oplagspladser, ending a 6-month struggle for control of the property com-pany, writes Xueling Lin in Copenhagen.

The stake was sold by Accu mulator invest, the investment company owned by Mr Klans Riskeer Pedersen, a Danish financier.

According to Accumulator, the sale returned a profit of DKr20m (\$2.94m) with the shares in Christianshavns Oplagspladser trading at about DKr70. Mr Pedersen has also agreed to retire from the dis-puted company's board.

The purchase hy Hafnia removes a stumbling block to its plans to expand into prop-

months.
The airline's result after

FM207m.

Finnair hit by recession

By Enrique Tessieri in Helsinki

FINNAIR. Finland's state-owned flag carrier, suffered a FM60m (\$14.4m) pre-tax loss for the year to March 31 1991 compared with a profit of FM347m for the previous 12

financial items plummeted to a loss of FM121m from a profit of FM224m, while operating results also plunged to a deficit of FM58m from a profit of

Net sales rose by S per cent to FM5.56bn from FM5.34bn. Finnair blamed its poor result on the Gulf war and the severe recession in Finland, which have jointly helped to

undermine passenger volumes and profitability. The company also said that improvements in profitability were only possible through

restructuring and by cutting the size of Finnair's fleet, rooms network and operating organia

network and operating organical sation.

The airline said it will not propose a dividend for 1990-91.

Huhtamäki, the Finnish confectionery, packaging and pharmacenticals group reported a 34 per cent drop profits before appropriations and taxes in the first following months of this year to FMGMM months of this year to FMGMM and Timo Peitola, president said the group's interim result.

said the group's interim restile was undermined by a recesslonary business climate in the

company's key markets, including the US.

A virtual halt in drug exports to the USSR because of payment uncertainty had also held back the company.

Profit after financial items



Exceptional service together with an understanding of the local markets, account for Garanti's formidable collaboration with over 750 correspondent banks around the world.

Garanti recently increased its paid-in capital to TL 600 billion. Coupled with its prime quality asset base. Garanti is one of Turkey's strongest banks.

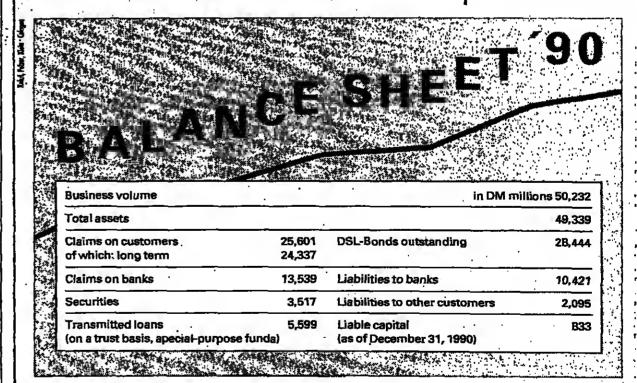
These factors are strongly reflected in Garanti's financial statements for 1990 and promise a trend that will continue in 1991.

	1990	% increase		
	TL Billion	over 1989		US \$ Billion
Total Assets	5,925.8	41 %	International	
Profit	187.0	220 %	Business	
Shareholders'			Volume (1990)	5,5
Equity	653.2	91 %	First auarter 1991	1.2

GARANTI BANK

For further information and a cupy of our Annual Report (with audited finencials) toget Mr. Acian Acar, Executive Vice President, 40 Mere Caddest, 80000 Taksim-intenbul/Turkey Tel: 190-1) 149-40-05 Tix: 24538 gafe to Pax: 190-1) 151-45-49 Mr. liban Neblogia (Loodon Representative Office) 141-142 Penchareb St. London EC3M 6BL Tel: (44-71) 020-3803 Tix: 8813102 galo g Fax: (44-71) 929-55-82

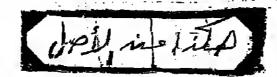
Making things happen.



DSL Bank made new loan commitments totalling DM 5.95 billion.

DSL Bank has branches in nina cities in western Germany. Since 1990 the bank has also established offices in eastern Germany: in Dresden, Erfurt, Leipzig, Magdaburg and Schwerin.

This devalopment creates new opportunities for DSL Bank. We would like to thank our customers and business partners for cooperating so successfully with DSL.



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EMERGING INVESTMENT OPPORTUNITIES

Reforms To Boost **Industrial Growth**

Prime Minister Nawaz Sharif

of an area of 795, 000 aq kms, more, our industrial policy is

and a population of over 110 not designed to benefit indus-million trialists and investors. In fact,

it has been formulated to solve

Republic of Pakistan, a country small but efficient. Furthersum: wide spread in dustrial is ation, controlled privatisation, controlled government spending, deregulation and lifting of regulation and lifting of regulation and lifting of regulation and lifting of regulation in the region for the poor, he adds.

In a recent interview to a randmanniation law and order and care for the poor, he adds.

Such being the inspiration, the safe haven in the region for formulation and lifting of regulation and liftin

Thave full faith in the abilities

mented my Government will tions. take adequate measures to The Asian Development Bank's indeed evident. Mr. Aziz elaborindeed evident. Mr. Aziz elaborindeed evident.

Mr. Sharif has the unique qualifications of being both a leading industrialist and a politician who has beld among other. Indeed in the aftermath of the portfolios, that of Cinef Minister and a politician who has beld among other. Indeed in the aftermath of the portfolios, that of Cinef Minister and a politic ter of the Government of the country overloaded with foreign Punjah, the country's largest debt and restricted by Govern-

runjah, the country's targest debt and resurced by Governprovince, with 62% of the population ment, policies that controlled
lation. His family's business small and large industries naconcern is the Ittefaq Group of tonwide. The Culfirities, rising
Industries. It is no doubt his cost of fiel, an upward-bound
success as a businessman and figure of domestic inflation, and
of the future

his familiarity with the industried by hundreds of thou-Pakistan has a labour force of have urged him to motivate the sands of Pakistani workers in 32 million. The country's quest country's private sector to in- the Middle East, all contrib- to become an industrial power troduce large scale uted to the country's dismal takes strength from the avail-industrialisation aimed at re economic scenario. shillty of skilled manpower, low ducing dependence on foreign The problems with the country's large consumer base.

aid with a view to eventual self-industrial growth go back to T.Z. Farooqi, Secretary, Miniscost, strategic location and a

the 1960s. Federal Finance try of Industries, explained that Vision fast becoming Minister Sertsi Aziz, a co-ar-"Pakistan offers a competitive reality chitect of the new economic advantage in terms of local policies, explained that to pre-

Prime Minister Nawas Prime Minister Nawas Sharif of wealth, a more socialistic much lower, indigenous technical seperties is available at the diving force behind the driving force force and state of the driving force force and state of the driving force force and state o

for these inspired reforms have come in from international fi-nancial circles. The WorldBank While the process of is how a World Bank Director, privatisation is being imple-described these recent innove-

around, evidently Mr. Sharife enment has opened areas out important domestically as it government has given a clear aide industry that were concentrated industry that were concentrated industry that were concentrated industry will raw materials. Industry will

Government-**Business Relationship Enters** A New Era.

Along with Prime Minister line and cargo handling at

was massive losses all around.

The present Government in every sector of the economy.

We are rapidly moving Paki. The present Government has chalked out a clear-cut the Sharif, 42, was sworn in as Besically, I want minimal Government that is country's well-being. In a recent interview to a Paki.

The present Government has chalked out a clear-cut the Sharif, 42, was sworn in as Besically, I want minimal Government that is country's well-being. In a recent interview to a Paki. formulate foreign policy, country's engineering industry.

maintain law and order and

> to foreign investment trade. begun to attract foreign invest- improve the relationship be- agreat deal of natural resources "We have committed ourselves to the goal of a prosperous Pakistan and I hope that our attempts to reinvigorate the financial sector will soon bear fruit.
>
> The providence of the goal of a prosperous Pakistan and I hope that our attempts to reinvigorate the financial sector will soon bear fruit.
>
> The providence of sunshing for sectors and computer to sunshing the financial sector will soon bear for these inspired reforms have a good agro processing, fantastic agriculture, hydro-culture. And we have a large engineer in great deal of natural resources.
>
> In high value industries such was electronics and computer our education, manpower and sectors pursue agriculture, hydro-culture. And we have a large engineer in great deal of natural resources.
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> In high value industries such was electronics and computer our education, manpower and to good agro processing, fantastic was agriculture, hydro-culture. And we have a large engineer in great deal of natural resources.
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> In high value industries such was electronics and computer our education, manpower and to good agro processing, fantastic was agriculture, hydro-culture. And we have a large engineer in a regulated for agriculture, hydro-culture. And we have a large engineer in great deal of natural resources.
>
> In high value industries such was electronics and computer our education, manpower and to good agro processing, fantastic was agriculture, hydro-culture. And when the financial resources are also for such as a late of sunshing to a sector of s sector tries to circumvent regulations. We have started to cre-ate a new relationship between

take adequate measures to safeguard the rights of workers, Mr. Sharif added.

The Asian Development Benk's representative remarked "they are tangible evidence of the stock archange which has been going up, in the increase in expirit the private sector has ment programme".

ways, power, gas, shipping; sir- export sector.

Nawaz Sharif, Federal Finance Qasim and Karachi ports. Minister, Senator Sertsj Azizis Parties from the Middle East

sponsibilities, paying taxes, exporting more and so on, "he explains.

Industry ment. Privatisation must be accompanied by a parallel pakistan is poised to become a growing industrial force in the total. Right now, agriculprogrammetolookafter the poor growing industrial force in the ture is about 26 percent, indused by a parallel programmetolookafter the poor growing industrial force in the ture is about 26 percent, indused by a parallel programmetolookafter the poor growing industrial force in the ture is about 26 percent, indused by a parallel programmetolookafter the poor growing industrial force in the ture is about 26 percent, indused by a parallel programmetolookafter the poor growing industrial force in the ture is about 26 percent, indused by a parallel programmetolookafter the poor growing industrial force in the ture is about 26 percent, indused by a parallel programmetolookafter the poor growing industrial force in the ture is about 26 percent, indused by a parallel programmetolookafter the poor growing industrial force in the ture is about 26 percent, indused by a parallel programmetolookafter the poor growing industrial force in the ture is about 26 percent, indused by a parallel programmetolookafter the poor growing industrial force in the ture is about 26 percent, indused by a parallel programmetolookafter the poor growing industrial force in the ture is about 26 percent, indused by a parallel programmetolookafter the poor growing industrial force in the ture is about 26 percent, indused by a parallel programmetolookafter the poor growing industrial force in the ture is about 26 percent, indused by a parallel programmetolookafter the poor growing industrial force in the ture is about 26 percent, indused by a parallel programmetolookafter the poor growing industrial force in the ture is about 26 percent, indused by a parallel programmetolookafter the poor growing industrial force in the programmetolookafter the poor growing industrial force in the programmetolookafter the poor growing industrial f try about 20 and the rest is in

The agricultural share will not fall much because it will grow in total. Even our industrial sector will have a base in agriculspirit the private sector has ment programme.

responded to the challenge by With such favourable views all setting up banks, hidding for around, evidently Mr. Sharife sirline licences, and telephone Government has given a clear important domestically as it as telecommunications, high- become more important in the



Asked whether the Government Pakistan's economy well into a The enthusiastic response of

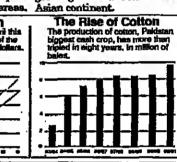
Export Growth

Export levels from July to April this year have surpassed those of the previous year, in billions of dollars.

intends to shift Pakistan from new century, the Finance Min-business and investment circles would be worthy of the confidence reposed in them by the Government.

While the process of the confidence reposed in them by the Government.

The process of the confidence reposed in them by the confidence reposed in them by the the confidence reposed in them by the confidence reposed in t



tional agencies is organising this three day internation

of interest to foreign holders of

Now A Positive Climate

For Foreign Investment

As part of its bold, decisive eco-nomic reforms, the new Gov-Guarantee Agency), an affili-ernment has done away with ate of the World Bank, in col-

obstacles to smooth the way for laboration with other interna-

Foreign Exchange Handling Has of three Government sgencies to raise loans abroad, they can Never Been Simpler

There's a welcome change is not as yet fully convertible, and a pleasant surprise for, snyone can buy foreign currency those who experienced the in the open market with Ruold tiresome procedures of pees and use it to open foreign Importers can approach banks foreign exchange handling currency accounts tomake pay-

reliance.

Prime Minister Nawaz Sharif's T. Z. Faroogi, Secretary, Minisannouncement on February try of Industries says "There's 7,1991 of wide-ranging eco- an old saying in international nomic reforms includes eased finance that foreign capital rules for importing exchange as comes where it is profitable and well as repatriating private and stays where it is safe".

corporate benefits. It's all part indeed investors need no longer of the bid to attract foreign capit be affaid to put money in Paished.

These reforms will create an strictions in getting it out. exchange and payments system conductive to foreign investment trade and exchange resource mobilisation", a Government spokesman explains. They will enhance investor and general public confidence, promote investments and allow greater

ment Freedom

rency accounts in Pakistan. The entitlements for working capilonger limited to remitting only says a Government spokesment. sweeping measures have tal needs of foreign controlled 50 percent of their net income. The Nawaz Sharif Government brought in the facility that sayone can hold a foreign machange hanced Lim-account in Pakistan, with its on local drawing funds, transferring borrowings, money liberally. A first sign of for export. these encouraging times ap oriented enpears as a poster at a Kerachi terprises a secount here free of all freeign moved control regulations. Thus, an Where companies previous or finals.

Although the Pakistani Rupes the approval

kistemi banks for feer of re-

The economy is now totally open to investors: foreigners, local andnon-resident Pakistanis can now invest in shares of companies quoted on the country's two-stock exchanges at Karachi and Lahore by payment of foreign exchange. Remittance of principal and dividend against such res is allowed without any

manufacturers have been en-

tions agreed.

For financing fixed investments, foreign controlled companies interestrates and fees and rules

The limits on payment of tech-mical fees and royalty have been removed. Constraints on the use of foreign loans in the acquisition of technology have been

Great Public Confi- prior permission, although also take out profits at any time, in the currency of their choice. More Investigating taxes will be Restrictions on work permits more Freedom. for managerial and technical Under the old order, only for released outlining the new rules been removed and expetriates "We have come close to making signers could hold foreign curit explains that local boxrowing employed in Pakistan are no this a fully convertible system, Allied Bank and five others in-

nownegotiate these themselves, and merely inform the State Bank of the terms and condi-

The need for import licenses for items on the free list has been directly to open a line of credit. abolished. A three-year tax can obtain advances from local between December 1, 1990, and sources without prior approval June 30, 1995. Terms are even of the Government or the State more generous in rural sreas Bank of Pakistan. Callings on whereindustry is needed. There is a five-year tax holiday for investments in certain underabout a minimum period for investments in certain under-foreign losses have been abol- developed areas and an eightyear tax holiday for the most import duty for machinery im-

Restrictions on foreign equity Under the new system, every-in compenies, once limited to 49 one striction in Pakistan will denationalised and deregu-of refusal to nationalised busiper cent, have been lifted so non-Pakistaniacan now wholly.

one arriving in Pakistan will denationalised and dereguor of refusal to nationalised business will so to the original lated. non-Pakistanis can now whollyown local companies. They can right through the "green chanalso take out profits at any time, nel", where officers make only

Bank, nationalised along with

The Government is cautious of within Europe.

in Pakistan.

Pak Arab Fertiliser Factory, Multan A wide range of fiscal incen- Privatisationsteel mills, and engineering

tives has also been introduced. **Dynamism** abolished. A little-year tex-boliday is available for all in— the new government metworks will be open to private district established in Pakistan quickly moved to return all bidders local or from overseas as advertised nationwise and as advertised nationwise and the color of backward regions. In addition the 1990 elections toget on with there will be an exemption of privatisation, "said Mr. Seeed

ported to industries in rural areas, and a further exemption of sales tax for industries in beckward areas.

> in taking in due course. Sales planned of over Truly exciting times these radical eteps, has 100 units

products Return To

services to the private sec- in papers in the Gulf and UK. tor. Banks, power plants, telephone companies, ce. Mr. Qadir's enthusiasm is evi-

"Ws received the mandate in Qadir, incharge of the highpowered Commission overseeing the dismantling of the over- ers in Islamabad. The loaded public sector.

familiar to those travelling chased by a consortium of 12 vised an employment

extends to some ten areas en- proach to the privatisation in Washington and Islamabad, compassing state-owned entercompassing state-owned enter-programme. Steven Steckler, he pointed out that Pakistan prises dealing with cotton and Senior Manager of Price had shortcut the process, Corporation), clarified butter, and Utilities Group called it countries in studying and rechemicals, ceramics, cement, "amazing." Speaking on structuring companies before fartilisers, energy, automobiles, Worldnet's Satellite Dialogue selling them off.

Investors are being offered ports, power grids and telecom-

The concept of state-controlled economy has staunch support-Privatisation Commission has loaded public sector.

As a first step, over 100 indusawarding bids to avoid charges ness will go to the original owners, and buvers will have to

other banks in 1974. It was pur- any labour issues. It has deprogramme guaranteeing that the new employer cannot re-Allied Bank and five others in-chaing the large United Bank "We are also offering labour a diding the large United Bank and Habib Bank will be sold off trades", Mr. Qadir explained.

rice exports, bakeries (the Roti Waterhouse's Transportation spending less time than other

ment factories, sugar mills and more will be sold off. dent. He mentioned being ap-proached by a major American financial set np, Morgan Stanley, with a view to future

Foreign industry analysts are impressed with the Programme with industry, The privatisation programme Government's efficient ap- labour and government leaders

Pakistan is to become an economic role model for the region.

investment conference. About 250 foreign and local partici-Such are the sims of the Nawaz SharifGovernment and it is fast beaded to attain its objectives. Fassibility studies are already headed to attain its objectives. On January 5, 1991, the Prime Minister deregulated s wide Emphasis will be put on some range of industries to the 50 industries, including elecamezement and pleasure of lo-tronics, fertilisers and pharma-cal business and financial conticals, that are deemed to be capital. A first, and radical move was

foreign investment.

the deregulation of the indus-trial sanctioning procedure. Policy now extends to hitherto Now, foreign investors can lib- non-traditional areas: the erally invest and become in- power, transportation and volved to any industry, barring arms, armsments, explosives, vateinvestors are invited to bid currency and security printing, for airline and air charter li-radioactive material, alcohol cenees in direct competition to (except for industrial ose). They the flag carrier, Pakistan Incan build plants of any size, ternational Airlines (PIA). anywhere with any sponsor and without Government approval.

The present Government has structing toil roads", says an added to its ongoing programme lalamabad official referring to to improve every facet of the plans for the construction of the nation's industrial set up. There are plans to establish the Pakistan Quality Control and Standard Anthority to upgrade de-sign, production, and distribu-tion of exports. The Government will also partly fund training Foreign investors from Europe, institutions along with the private sector to improve labour Adelegation from the giant Koand management productivity in the areas of garment, engi-

Worldwide awareness created To initiate worldwide aware- don and CIDA (Canadian Inness of Pakistan's bid to attract ternational Development foreign investors, the Finance Agency) have also indicated Ministry is sponsoring an In- their keeness. vestment Promotion Conference Ours is now the most advanced Convention in Islamehed in open policy to the world", claims

November this year. The World Bank and MIGA nance Ministry in Islamshad.

rean Daewoo Corporation has visited Islamabad, and contacts neering, carpet manufacturing have been established with and fisheries.

Japanese automobile and engi-Japanese automobile and engineering concerns . The Commonwealth Secretariat in Lon-

between Lahore and Islamabed

Asia and the US have already

climbed on the bandwagon in

this new favourable inve

s proud spokesman for the Fi-

For further information, contact: Abdul Rauf Malik, Deputy Secretary, Ministry of Industries, Room 139, Block A. Pakistan Secretariat, Islamabad, Pakistan Tel: 92-51-822314 Parc 92-51-825430 The 5774 MIMD PK

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GAZ MÉTROPOLITAIN, inc. NOTICE OF MEETING OF HOLDERS OF DEBENTURES

NOTICE IS HEREBY GIVEN on behalf of Gaz Métropolitain, inc. (the "Company") that there will be a general meeting of the holders of the 11% Debentures due December 1, 1997, the 111% Debentures due November 15, 2005, the 10% Debentures due December 15, 2006 (collectively, the "Canadian Series Debentures"), the 14% Debentures due December 1, 1992, the 13% Debentures due October 31, 1994 and the 10% Debentures due December 18, 1995 (collectively, the "European Series Debentures") (the Canadian Series Debentures and the European Series Debentures being herein collectively referred to as the "Debentures") of the Company issued under a trust indenture, dated as of Joly 15, 1982, as supplemented by seven supplemental trust indentures all executed between the Company and La Compagnie de Fiducie Canada Permanent (now replaced by Montreal Trust Company of Canada), as trustee (the "Trustee"), (such trust indenture and supplemental trust indentures being herein collectively referred to as the "Trust Indenture"), which will be held at the Rizz-Cariton Hotel, to the Green Room, 1228 Sherbrooke Street West, Montreal, Québec on Friday, July 12, 1991 at 10.00 a.m. [Montreal time]. The meeting will also constitute a serial meeting of the holders of each series of Debentures, within the meaning of the provisions of the Trust Indenture, a resolution for the following purposes, namely:

To approve the transfer of substantially all of the business and assets of the Company to Gaz Métropolitain and Company, Limited Partners ["GMi Partnership"]. To increase the interest rate payable on all outstanding Debentures of the Company by % of 1% per annum effective at the date of the about

(a) by making GMi Partnership a party thereto to guarantee payment of principal of and interest on the Debentures;

(b) by creating a fixed and specific charge of second rank on the Company's lines and gas system as they will exist at the date of the above mentioned transfer and a Boating charge on all other assets of the Company to secure the Debentures, which charges will rank after the fixed and floating charges securing the First Mortgage Bonds of the Company.

to by replacing the existing covenants of the Company with respect to (i) negative pledge, (ii) the issue of additional Funded Debt, (fil) the distributions to shareholders and (iv) the sale of assets, by joint covenants of the Company and GMI Partnership significantly to the same effect with respect to GMI Partnership as those contained in the Trust Indenture; (d) by adding new covenants to the following effect:

(i) subject to certain exceptions, the Company will not engage in any activity or carry on any business and will not acquire any property, securities or assets of any Person other than GMi Partnership, except for its activity or business as general partner of GMi Partnership, the management of its property and assets and the property and assets owned or held by Noverco Inc. prior to its amalgamation with the

(ii) the only additional Debt that the Company will be entitled to issue, assume or guarantee will be Debt that will have to be used for the purposes of GMi Partnership and Subordinated Debentures, subject to certain exceptions;

tiii) the Company will not issue any additional series of First Mortgage Bonds; (iv) any change of the general partner and any disposition by the Company of any or all of its interests to the shares in GMi Partnership will have to be approved by an Extraordinary Resolution of the holders of Secured Debentures; and

(v) GMi Partnership will not carry on any activities other than activities in the energy sector which are regulated by a regulatory authority and Non-Regulated Gas Activities. GMi Partnership will not be entitled to increase its Interests in Non-Regulated Gas Activities if after giving effect thereto the aggregate amount of the Interests of GMi Partnership in Non-Regulated Gas Activities would exceed an amount equal to 10% of its assets.

For more details regarding such new covenants, reference is made to subheadings "Covenants of GMi" and "Covenants of GMi and GMi Partnership" under the heading "Security and Covenants of Long Term Debt After Olving Effect to the Reorganization—Second Rank Trust Deed" in the Statement in Respect of the Reorganization of Gaz Métropolitain, inc., copy of which is sent to each holder of registered Debentures and copies of which may be obtained from the Trustee, from The Law Debenture Trust Corporation p.l.c. or from any Paying Agent

To confirm that the 114% Debentures due November 15, 2005 and the 104% Debentures due December 15, 2006 will be no longer rede

To authorize and direct the Trustee to enter into with the Company any deeds supplemental to the Trust Indenture in such form and with such additions or alterations as counsel may advise are necessary or desirable to give effect to the provisions of the Extraordinary Resolution and to execute all such other documents and do all such other things as may be necessary or advisable for the purpose of carrying out and giving effect to the provisions of the Extraordinary Resolution.

This notice is given at the Company's request pursuant to the provisions of the Trust Indenture to the intent that any Extraordinary Resolution passed at the said meetings or any adjournment thereof shall, if passed in accordance with the provisions contained in the Trust Indenture in that behalf, be binding upon all the holders of Debentures, whether present or absent at such meetings or any adjournment thereof, and the Trustee (subject to the provisions for its indemnity contained in the Trust Indenture) shall be bound to give effect thereto accordingly, and to the further intent that to considering any resolution, extraordinary or otherwise, such meetings may notify, amend, change, amplify, add to or omit any of the matters and things herein before specified, it being stipulated that the foregoing does not purport to set out the terms of any resolution or resolutions to be proposed at the meetings, but only to state briefly the general nature of the business to be transacted thereat.

meetings, but only to state briefly the general nature of the business to be transacted thereat.

At the general meeting, the quorum shall consist of holders of Debentures present to person or by proxy and representing more than 50% in principal amount of the outstanding Debentures. In the event of such quorum out being present within 30 minutes after the time appointed for the meeting, the meeting may be adjourned to such date, being not less than 21 nor more than 60 days later, and to such place and time as may be fixed by the Chairman. Not less than 10 days' notice shall be given of the time, the place of the adjourned meeting the date to which such meeting is adjourned in the manner provided in the Trust Indenture. At such adjourned meeting the quorum shall consist of the holders of Debentures then present in person or by proxy and representing more than 50% in principal amount of the series of Debentures outstanding. In the event of such quorum not being present within 30 minutes after the time appointed for the meeting, the meeting may be adjourned to such date, being not less than 21 nor more than 60 days later, and to such place and time to be fixed by the Chairman. Not less than 10 days' notice shall be given of the time and place of the adjourned meeting in the manner provided in the Trust Indenture and the date to which such meeting is adjourned. At such adjourned meeting the quorum shall consist of the holders of each series of Debentures then present in person or by proxy.

AND NOTICE IS HERERY FURTHER GIVEN that pursuant to the Trust Indenture the following regulations have been made for the purposes of abling the holders of unregistered Debentures to be present and vote at the meeting and the serial meetings and any adjournment thereof without oducing their Debentures and of enabling them and the holders of registered Debentures to be represented and vote at such meetings and any journment thereof by proxy and of fodging such proxies at some place or places other than the place where the meetings are to be held:

(a) Holders of Debentures may vote in person or by proxy at the meeting and the serial meetings or any adjournment thereof and a proxy need not be a holder of Debentures.

be a holder of Debentures.

(b) The holder of an immegistered Canadian Series Debenture may deposit the same with the Trustee, at any of the offices of the Trustee mentioned below, and the holder of an immegistered European Series Debenture may deposit the same at any of the offices of any Paying Agent listed below, which will issue a certificate of deposit in respect of such Debenture; and any person producing at the meeting and the serial meetings or any adjournment thereof such a certificate of deposit in his favour, signed by or on behalf of the Trustee or a Paying Agent, or depositing such certificates with an instrument appointing him proxy, in form and terms and as to signature satisfactory to the Trustee, signed by the person named in such certificate, shall be entitled to be present and vote at such meetings and any adjournment thereof.

(c) The holder of a registered Debenture may by an instrument in writing in form and terms and as to signature satisfactory to the Trustee appoint any person as his proxy to vote for him at the meeting and the serial meetings and any adjournment thereof.

(d) A proxy should not be given in favour of Montreal Trust Company of Canada, The Law Debenture Trust Corporation p.l.c. or any of their

(e) A proxy may be revoked by filing with the Trustee a written notice, provided that it has not yet been exercised. (f) Any instrument of proxy in favour of the person named in such instrument (i) will be voted as specified, but if no specification is made, will be voted to favour of the adoption of the Extraordinary Resolution referred to in this Notice, and (ii) will confer discretionary authority with respect to amendments to the matters referred to in this Notice and with respect to any other matters that may properly come before the meetings.

(g) The deposit of certificates of deposit and instruments of proxy may be made at the meetings or any adjournment thereof or prior to the meetings or any adjournment thereof at any of the offices of the Trustee mentioned below, at the offices of The Law Debenture Trust Corporation p.l.c., or at any of the offices of any Paying Agent mentioned below.

(b) The Trustee may permit the forwarding of particulars of such certificates of deposit and instruments of proxy by letter, cable, telegraph, telex or telecopier before a meeting and may permit such certificates of deposit and instruments of proxy so deposited to be voted upon as though such documents themselves were produced at the meetings.

(i) The Trustee may dispense with any such deposit and may permit holders of Debentures to make proof of ownership in such other manner as the Trustee and the Company may approve.

(i) Save as aforesaid the only persons who shall be recognized at the meeting and the serial meetings or any adjournment thereof as the holders of Debentures or as entitled to be present and vote at the meeting and the serial meetings or any adjournment thereof in respect thereof shall be persons who produce our gistered Debentures at such meetings and the holders of registered Debentures.

(k) Forms for deposit of Debentures, certificates of deposit, deposit receipts and proxies may be obtained by:

holders of Canadian Series Debentures upon applic Services) at any of its following offices:

1690 Hollis Street, Halifax, Nova Scotia B31 3C5 Tel.: 1902) 421-1333 1800 McGill College, Montréal, Québec H3A 3K9 Tel.: (514) 982-7213

15 King Street West, Toronto, Ontario M5H 184 Tel.: (416) 860-5555 221 Portage Avenue, Winnipeg Manitoba R3B 2A6 Tel.: (204) 943-0451

1788 Scarth Street, Regina, Saskatchewan S4P 2G1 Tel.: (306) 525-3786 411-8th Avenue S.W., Caigary, Alberta T2P 1E7 Tel.: (403) 267-6800

510 Burrard Street, Vancouver, British Columbia V6C 3B9 Tel.: (604) 661-9400 53 King Street, St. John, New Brunswick E2L 1G3 Tel.: (506) 632-2141

holders of European Series Debentures upon application to The Law Debenture Trust Corporation p.l.c., Princes House, 95 Gresham Street, London, EC2V 7LY, England, att.: David Norris or Robin Baker, tel.: 071-606 5451, Fax.: 071-606 0643, or to any Paying Agent listed below:

Canadian Imperial Bank of Commerce, 1155 René-Lévesque Blvd. West Montréal, Québec H3C 3B2 Att.; R. G. Wishart Tel.: 514-875-6246

Cottons Lane London SE1 2QL Att.: Dee Franklin Tel.: 44-71-234-6148 Société Générale Alsacienne de Ban 15 Avenue Emile Reuter Germany Au.: Reinbardt Frache: Tel.: 49-69-1362-2978

Banque International 2 Boulevard Royal Luxembourg Att.: Armand Gloct Tel.: 352-4590-42-14

Luxembourg Au.: Michel Becker Tel.: 352-47-93-1 t-292

The Trustee reserves the right to modify, alter, vary or amend these regu

Any term defined to the above mentioned Statement in Respect of the Reorganization of Gaz Metropounless there is an indication to the contrary.

DATED at Montreal, Quebec, this 12th day of June, 1991.

29 Gresham Stree

London, EC2V 7ES

Telelax 071 B00 989

Mexico D.F.06500

Telefax 525 0558

Telephone 533 18 05

Mexico City Rio Tiber, 110

Telephone 071 600 0880

MONTREAL TRUST COMPANY OF CANADA Trustee

Att.: Merc Autor: Tel.: 33-1-40-15-4178

INTERMEX International Mexican Bank Ltd.

FINANCIAL HIGHLIGHTS

£ in Million	Year to:	March 1991	March 1990
Operating Profit			
(before Provisions and Tax)		8.6	12.2
Net Profit		7.9	Nil
Shareholders' Equity		34.6	26.7
Total Assets		177.7	239.5
Ratios (%)			
Return on Equity		29.5	
Return on Average Assets		3.53	-
Fees on Revenue		29	23
BIS Ratio		22.2	13.7
F/8		1 735	1 645

Asset Trading · Trade Finance · Cross Border Investment · Maquiladoras

INTERNATIONAL COMPANIES AND FINANCE

Citicorp wins appeal of Fed's veto on insurance

By Nikki Tait in New York

EFFORTS by US commercial banks to gain entry into the insurance market took a step forward when an appeals court in Manhattan overturned a Federal Reserve Board order barring them from underwrit-ing and selling insurance nationwide.

In the absence of any further legal challeoge, yesterday's decision would let stand a Delaware state law which permits banks to sell insurance on a national basis out of their subsidiaries in the state. The Delaware law was passed in 1990, and several banks -which had long sought access to the insurance market were quick to express interest in possibilities opened by the

publisher of personal computer software, yesterday launched a significantly upgraded version of its disk operating system for personal computers. The sys-

tem is used on an estimated 60m personal compoters world-

Microsoft said that more

than 130 personal computer

than 130 personal computer manufacturers, which together represented nearly 90 per cent of the DOS-based personal computers shipped last year, have already licensed the opgraded system program, called MS-DOS 5, for use on their products. The new program is available from many manufacturers immediately.

Analysts predicted that sales

Under the Delaware legislation, assets, liabilities and records of an insurance unit must be kept separate from those of the affiliated bank and banks are limited to investing no more than 25 per cent of their total capital, surplus and profit in insurance operations.
A companion banking bill limits banks' marketing activities to residents of Delaware.
The legislation brought an

Microsoft upgrades PC system

of MS-DOS 5 could boost Micro-

soft's revenues by up to \$200m in its first full year of shipping.

Microsoft's revenues were

\$1.18bn in fiscal 1990, ending

The company's sales are expected to hit \$1.8bn in the

current fiscal year.
Important features of the

new operating system program inclode improved memory

management, which frees more of memory capacity for appli-

cations progrems and data.

New ease-of-use features include "help screens" and facilities that enable a user to

switch more easily between dif-ferent application programs and retrieve files that have accidentally been crased.

June 30 1990.

angry response from the insur-ance industry and some mem-bers of Congress. The Fed made its prohibitive ruling specifically in the context of Citicorp, the largest commercial bank in the US, and its Delaware-based affiliate, Family Guardian Life Insurance, Family Guardian

had moved speedily to under write insurance when the Dela-ware law was enacted, but in September the Fed curtailed this activity. Citicorp then appealed. Yesterday, Citicorp said it

was "fairly pleased" with the appeal court decision, but it acknowledged that the Fed could now take the case to the Supreme Court for a further

The Fed declined to comment, saying that the matter had yet to be discussed internally.
The American Insurance

"The PC industry has flour-

ished over the past 10 years because of MS-DOS and the

support it has had from PC manufacturers, software devel-opers and PC users world-

wide," said Mr Bill Gates, chairman and chief executive

"With the overwhelming commitment of PC manufac-

turers and the record numbers

of orders placed for the MS-DOS 5 Upgrade, we believe this is the largest initial demand in

history we've seen for a PC software product." he said.

To meet the needs of current users of earlier versions of MS-

DOS, Microsoft will make an upgraded version available through retailers for \$99.95.

Carter Hawley

Hale losses grow

CARTER Hawley Hale, the US retailer which filed for Chapter

11 bankruptcy protection in February, suffered a net loss of \$32.4m in the first quarter,

compared with a loss of \$6.6m in the same period last year,

Sales for the period to May 4 declined to \$430.1m from

\$590.9m the previous year.

Association hit out strongly at the decision, describing it as "shocking". It said it would support any move to seek a Supreme Court ruling.

Merger creates top US machine tool concern

By Barbara Durr in Chicago

TWO US companies bave TWO US companies have combined to create the condity's largest machine tools charcern. Giddings & Lewis, a leading automation systems maker, has agreed to acquire Cross & Trecker, the third largest US maker of machine tools, in 1990 Giddings & Lewis, based in Wisconsin, recorded sales of \$243m, while Cross & Trecker, based in Michigan, had \$431m in sales in its 1990 fiscal year.

fiscal year. Cross & Trecker this year has been hit hard by declining sales to the automotive indus-try, suffering a net loss of \$2.1m in its 1991 first half. Mr William Fife, chairman of Mr William Fife, chairman, of Glddings & Lewis, said life products of each company would complement those of the other. He added that the combined company hoped to gain better access to European markets, especially those to easier.

ern Europe. Cross & Trecker has a manufacturing plant and two service centres in Germany, while Gid-dings & Lewis has a plant in Arbroath, Scotland.

Under the agreement, reached last Friday, Giddings & Lewis will acquire each com-mon share of Cross & Trecker for \$2.85 in cash and \$12 shares of its own common stock, a transaction valued at \$5.70 per common share, of a total of about \$71m.

In addition, Cross & Trecker's Series A convertible preer's Series A convertable pre-ferred stock will be assumed by Giddings & Lewis. The deal is still subject to approval, by the board of directors of Cruss & Trecker and the sharehold-ers of both firms.

Nippon Telegraph and Tele-phone, the Japanese telecom-munications utility, vesteriay munications utility, yesterday announced plans to establish a subsidiary in Germany, AP₁DJ

reports from Tokyo.

NTT said it was opening the subsidiary in an effort to keep pace with rapid changes in the European telecommunications

The new company, NTT Deutschland, will be based in

MacMillan seeks C\$151m for capital spending plan

forest products arm of the big
Noranda resource group, is
raising C\$151m (US\$132.5m) of
new equity to help finance its
1991-92 capital spending
MacMillan has suffered from
the long recession in North

programme.
MacMillan is selling 7.2m treasury shares at C\$21 a share to an underwriting group led by RBC Dominion Securities. The issue will be completed by July 3. Its stock closed on Monday at around C\$22, close to its

MACMILLAN BLOEDEL, the Canada and shifting towards American pulp, newsprint and timber markets, but its profits have shown more resilience than most companies in the

industry.

In the first quarter, it earned
C\$3.8m or just enough to cover
preferred dividends, against 52-week high.

The company is pairing manginal operations in western

C\$30m or 26 cents a share a year earlier. Sales declined to C\$677m from C\$781m.

Amex to seek approval for extra hour of trading

ANZBank

Australia and New Zealand

Banking Group Limited

A.C.N. 005 357 522

U.S. \$200,000,000

Floating Rate Notes due 1994

Notice is hereby given that for the Interest Period 10th June, 1991 to 10th September, 1991 the Notes will carry a Rate of Interest of 6½ per cent. per annum with an Amount of Interest of U.S. \$164.51 per U.S. \$10,000 Note. The relevant Interest Payment Date will be 10th September, 1991.

U.S. \$500,000,000

CITICORPO Subordinated Bank Adjustable Note Capital Securities BANCS Notice is hereby given that the Rate of Interest has been fixed at 6.5% and that the interest payable on the relevant interest Payment Date September 1.2, 1991 against Coupon No. 19 in respect of US\$50,000 nominal of the Notes will be US\$830.56.

June 12, 1991, London
By: Gilbonk, N.A. (CSSI Dept.), Agent Bank

CTIBANCO

ed with limited liability in the State of Victoria)

American Stock Exchange revealed yesterday that it would seek approval from the Securities and Exchange Commission, the US watchdog, for a plan to extend trading for an extra hour each

Although exact details have yet to be finalised, Mr James Jones, chairman of the Amex, said yesterday that trading would probably be extended for an extra hour each day after the official 4pm close. Inves-tors' buy and sell orders would be crossed at the end of the

Bankers Trust Company, London

U.S. \$150,000,000

First Interstate Overseas N.V.

Guaranteed Floating Flate Subordinated Notes Due 1995

I First Interstate Bancorp

kriseres Amount per U.S. 810,000 Nose di

Credit Suisse First Se Agent

6.3125% per annum

12th June 1991 12th September 1991

session based on the 4pm closing price.

The Amex proposal comes on the heels of a similar plan for late trading at the New York Stock Exchange, which the SEC approved last month. Late trading at the NYSE is scheduled to begin tomorrow in two separate sessions between 4pm and 5.15pm.

Both the NYSE and the Amex are responding to a growing demand from investors, particularly institutions, for the opportunity to trade US stocks later in the day. session based on the 4pm clos-

Agent Bank

To the Holders of

Pursuant to the Indenture dated May 1, 1990, as amended and restated as of June 15, 1990, between the Issuer and State Street Bank and Trust Company, as Trustee, notice is hereby given that for the Interest Accrual Period June 10, 1991 to September 9, 1991, the rates applicable to the Secured Senior Floating Rate Notes and Secured Senior Subordinated Floating Rate Notes are 6.4875% and 6.9375%, respectively.

uctured Obligations Backed by Senior Assets, B.Y.

AIB Allied Irish Banks plc

Floating Rate Notes Due 1995 Subordinated as to payment of principal and interest

U.S. \$100,000,000

E

Interest Rate Interest Period

6.5625% per annum 12th June 1991 12th December 1991

Interest Amount per U.S. \$10,000 Note due U.S. \$333.59 12th December 1991

Credit Suisse First Boston Limited

U.S. \$600,000,000



Floating Rate Notes Due 2009

Interest Period

Interest Amount per

6.5625% per annum 12th June 1997 12th December 1991

U.S. \$10,000 Note due 12th December 1991 U.S. \$333.59 Credit Suisse First Boston Limited

U.S. \$100,000,000



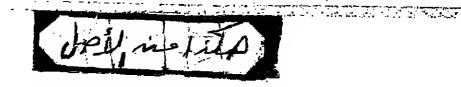
Great Western Financial Corporation

Floating Rate Notes Due 1995

Interest Rate Interest Period 6.375% per annum 12th June 1991 12th September 1991

Interest Amount per U.S. \$50,000 Note due 12th September 1991 U.S. \$814.58

> Credit Suisse First Boston Limited Agent



respectively.

INTERNATIONAL COMPANIES AND FINANCE

on fears for

leasing unit

SHARES in TNT, ths

Australian transport group, came under further selling pressure yesterday amid continuing fears for its aircraft leasing division and its US associate, America West Airlines

The Arizona-based America West is seeking to defer air-

West is seeking to defer aircraft lease payments.

The move by America West will affect the revenues of Ansett Worldwide Aviation Services, the aircraft leasing business half-owned by TNT and by Mr Rupert Murdoch's News Corporation, because America West is its largest single customer.

America West leases 11 Boeing aircraft through AWAS for a total monthly rental of

a total monthly rental of

The stock yesterday dropp

from Friday's close of 88 cents to a low of 78 cents, with large

lines of overseas selling adding to the exit of small shareholders.

TNT recovered later to close

with the \$1.52 at which it traded before a \$89.4m loss for

By Mark Westfield

in Sydney

Profits up as Telecom NZ unveils flotation details

TELECOM Corporation of New Zealand yesterday announced a better than forecast annual hours before releasing details of its public flotation. The dinpany, which is owned by Ameritech and Bell Atlantic is offering 19 per cent of its

The issue will be the biggest by a New Yeeland-based company and it will rank as second largest on the New aland Stock Exchange, after etcher Challenge, when it is

ristcher Chairenge, when it is listed on July 17.

The first instalment of 420m shares is being differed worldwide. It is planned to his life company on the New York fild London stock enchanges. Of the laities instalment, 140m shares have been underwritten by New Zealand distinctions and will be offered locally at between NZSL80 and

Of the remaining shares, 7m will be sold as American depository shares (ADS) with a further for being offered in the first instalment will allow between NYAVSEN and form between NZ\$756m and NZ\$846m for the American owners, who paid NZ\$4.25bn, or NZ\$1.81 a share, for the company last year.

Asked about the prospect of

making a profit on this tranche, Mr Tom Burns, chairman of Bell Atlantic and Ameritech in New Zealand, said he believed the price paid for the shares last year was fair. "I feel even better about the decision after today's profit announcement and forecasts,"

he said.

The issue is being priced at a price imultiple of between 10.6 and 11.8 times earnings, which is less than the international argie r a g e for telepommunications companies of 12.5. Telecom New Zealand

relecom. New Zealand vesterday insteads 21 per cent lift in net signings to NZ\$40Im for the year to Merch 31, on revenue of NZ\$2,700m, against. NZ\$2,432m. The total represents earnings per share of 207 cents, against 13 cents.

cents.
The dividend yield will be between 6.5 per cent and 7.2 per cent and the 76 per cent end the 75 per cent will cost the company NZ\$307m As the shares contain imputation benefits for New Zealand residents, they are equal to a pre-tax dividend yield of 9.7 to 10.8 per cent. are committed to selling at least NZ\$500m worth of shares to New Zealand investors.

Telecom New Zealand's

profit increase, of 29 per cent on last year's NZ\$257m, was better than the forecast improvement of about \$43m.

The chairman, Mr Peter Shirtcliffe, said revenue increases had come mainly from growth in international businesses, which rose 11 per cent; from higher earnings from directories, up 31 per cent; and new ventures such as

cellular phones.
After Hong Kong, New
Zealand had the highest
penetration of cellular phones

in the world.

Operating expenses rose marginally from NZ\$1.74bn to NZ\$1.79bn, while depreciation rose from NZ\$389.9m to NZ\$444.5m due to the command of the company's capital expenditure programme. Capital spending was NZ\$749m, againet NZ\$770m. Interest expenses were NZ\$195.5m, and tax was

Dr. Petsr Troughton, nanaging director, said the improved performance was due to the modernisation of the network and the focus on high-quality customer service.

The balance sheet showed total assets at NZ\$4.7bn, compared with NZ\$4.19bn last time and shareholders funds at NZ\$4.50bn compared with NZ\$4.19bn last time and shareholders funds

Swedish steel group slides

state-controlled commercial steel group, announced yester-day a substantial fall in profits after financial items for the first four months of the year, to SKr208m (\$32.7m) compared with SKr601m for the same period of 1990, writes Robert Taylor in Stockholm. The company expects profits

TNT shares Ingersoll-Rand continue fall builds roads into eastern Europe

NGERSOLL-RAND, the US construction equipment, pumps and bearings group, is considering further acquisttions in Germany as part of its preparation for the European Community's single market reforms, and to establish a apringboard into eastern

Mr Frederick Hadfield, chairman and chief executive of Ingersoll-Rand UK, said the group's 1992 target of \$1bn in European sales could be achieved a year early. Last year the company recorded sales of \$990m in its

Andrew Baxter on expansion by the US construction equipment group

European served area", which includes the Efta countries and the industrialised parts of the Middle East and North Africa. Total worldwide sales were \$3.74bm

Ingersoll-Rand's European sales have more than doubled since 1983 as the company sought to reduce its depen-dence on the mature US mar-ket. Most of the rise has come since 1988, helped by acquisi-tions in France and Germany. Mr Hadfield, who is responsible for Ingersoll-Rand's Euro-

pean construction equipment activities, said the company had made two important acqui-sitions in Germany to address its weak position in Europe's strongest economy.

In 1989, Ingersoll-Rand bought Kiemm, a highly regarded manufacturer of spe-cialised hydraulic drills. Last year it purchased ABG, a paving equipment manufacturer.
Mr Hadfield said Ingersoll-Rand saw Germany as the

bloc countries.

gest companies, physically, that I have ever seen," said Mr Hadfield. "But I certainly don't see the need to buy Im sq ft and 10,000 people. It's much better to build up from a smaller base than buy and have to cut down."

Most leading construction equipment producers are looking for ways into eastern Germany in preparation for an expected construction boom, and US companies are keen to ensure they do not miss out. The push into Germany has

Ingersoll-Rand as it has been ingersoil-Rand as it has been hit by recession in the UK and US. Mr Hadfield said he believed Germany would continue as Europe's strongest economy, despite short-term problems caused by remifica-

exposed than rivals to volatility in the construction equipment industry. Its research industry. Its gas con ment industry. Its gas compres-sors and pumps are used in the oil industry and in power gen-eration, which often run count-er-cyclically to construction

It is in gas compressors, too, where Ingersoll-Rand has made most progress on strengthen-ing its position through a stra-tegic alliance. In 1987 it and Dresser Industries of the US merged their struggling gas compressor businesses to form Dresser-Rand, which last year contributed \$30m to Ingersoll-

Rand pre-tax profits.
The two companies are about to cement links further through a plan to merge virtu-ally all their worldwide pump interests. This would create a company with \$300m of annual sales, putting it in second place worldwide behind Ebara of Japan, said Mr Hadfield.

DECLARATION OF DIVIDENDS

The following companies have declared final dividends, in South African currency, payable to members registered in the books of the

NUMBER OF STREET OF RIC CHOOSE OF DOORS	85 UH 20 JUHR	, ופפו
Name of Company (All companies are incorporated in the Republic of South Africa)	Dividend No.	Amous Per Sha (cents
Deelkraal Gold Mining Company Limited (Registration No. 74/00160/06)	17	10
Driefontein Consolidated Limited (Registration No. 68/04880/06)	36	95
Kloof Gold Mining Company Limited (Registration No. 64/04462/06)	43	50

Marrants payable on 7 August 1991 will be posted on or about

Standard conditions relating to the payment of dividends are obtainable at the share transfer offices and the London Office of the

members on the United Kingdom registers must be received by the companies concerned on or before 28 June 1991 in accordance with the above-mentioned conditions.

The registers of members of the above companies will be closed from 29 June to 5 July 1991, inclusive.

The following companies have not declared final dividends: Doornfontein Gold Mining Company Limited

Libenon Gold Mining Company Limited (Registration No. 05/08381/06) Venterspost Gold Mining Company Limited (Registration No. 05/05632/06)

By order of the boards per pro GOLD FIELDS CORPORATE SERVICES LIMITED London Secretaries

ondon Office Greencoat House London, SWIP 1DH

11 June 1991

United Kingdom Registrar: 34 Beckenham Road

MEMBERS OF THE GOLD FIELDS GROUP



The Chase Manhattan Corporation

U.S. \$400,000,000 Floating Rate Subordinated Notes due 2009

For the three months 11th June, 1991 to 11th September, 1991 the Notes will carry an interest rate of 65% per annum with a coupon amount of U.S. \$161.32 per U.S. \$10,000 Notes, payable on

Bankers Trust Company, London

Agent Bank

Airline finalises sell-off plans

By Greg Hutchinson in Manila

THE Philippine government Yesterday ruled its limit on Proreign ownership of the sprivatised Philippine Airlines to 40 per cent from 35 per cent. Mr Feliciano Belmonte, the airline's president, who made the announcement, also said the long-awaited sale Prospectus would be ready for distribution to interested bayers at the end of this

. . . .

12 Table 1

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1

Philippine Airlines, is expected to lose US\$27m, this year due to heavy losses. From its demestic operations, following a \$54m net loss

Finance for Danish Industry International

Yen 5,000,000,000

Guaranteed notes

Notice is hereby given that for the interest period 12 June, 1991

will carry an interest Rate of 7.05% per annum interest pay-able on 12 December, 1991 will

nt to Yen 3,534,658 per

to 12 December, 1991 the no

Agent: Morgan Guaranty

Yen 100,000,000 note.

Trust Company

JPMorgan

due 1994

for the year ended March 31. The airline's privatisation involves an offer of 800m shares, equivalent to 80 per cent of total equity, to private investors this

A lot of 400m shares would he available to a foreign buyer, while another 400m would be for domestic investors, including 50m shares that would be carmarked for employees of

the airline. However, those interested in taking part in the auction of 80 per cent of the airline must

present a package already involving the foreign and local partners as one buying entity,

Northwest Africaes of the US has expressed interest in being organised by the Philippine International Commercial Bank (PCIB), a leading Philippine to be no more than SKr200m, against SKr354m last year.

Another potential buyer is Management Corp (HIMACOR), a Manila-based consortium which is backed by a group of Philippine Airlines pilots.

Aoki declines to Y11.9bn

By Emilia Terazono in Tokyo

AOKI Corporation, the Japanese construction company which owns Westin Hotels and Resorts, announced -a 39.7 per cent fall in consolidated pre-tax profits to Y11.9bn (385 61m) for the business year

to March 1991. sharp fall in earnings on sluggish overseas real estate mar-kets especially in the US. On a

acts, especially in the US. On a non-consolidated basis, the company has recently reported a 5.8 per cent rise in pre-tax profits to Y15.5bn. Consolidated sales fell 0.5 per cent to Y402.tbn, while after-tax profits plummeted 57.6 per cent to Y3.5hn on losses in its US subsidiary. Sales in Aoki's real estate business plunged 90.7 per cent

BANQUE WORMS GROUP

1990 WAS A GOOD YEAR DESPITE A MAJOR INCREASE IN PROVISIONS

The Board of Directors of Banque Worms, chaired by Mr Jean-Michel Bloch-Lamé, met on

Healthy development in the bank's business and moderate changes in overhead led to growth of 58% in gross operating income and 35% in profits before tax and provisions. In spite of a major increase in provisions (+47% related to the economic and stockexchange situation at the end of the year) Banque Worms net profit increased by 12% to

March 28, 1991 to close the accounts for 1990.

attain 112.6 million French francs.

Key figures for the period:

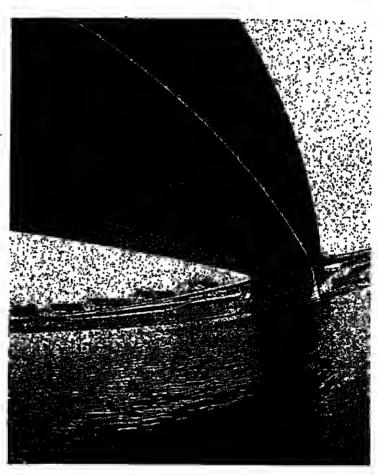
to Y8.1bn, while its other operations showed strong growth. Sales in construction rose 27.1 per cent to Y329.5bn; shipping lines rose 12.2 per cent to Y3.9bn; and hotels rose

12.2 per cent to Y60.5bn. The company said that Wes-11 countries, posted strong results despite the recession in the US. Operating profits rose 6

per cent.

Aoki, famous for its extensive overseas investments, said overseas sales fell 31 per cent to Y110.5bn.

For the current March 1992, Aoki said it expec-ted a 26 per cent rise in pre-tax profits to Y15bn, on a 17 per cent rise in sales Y472bn.



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Banque Worms Expressed in millions of FF + 17.5% Net banking income Overhead expenses + 7.3% + 57.7% Gross operating income Profit before tax and provisions + 35.1% + 47.4%

Income from the commercial activities of Banque Worms Group and the capital gains made by its investment subsidiaries Acmer, Sopromec, UFI and Sofinad, increased steadily. Loans to customers of Banque Worms Group increased by 21% and represent 51% of the consolidated balance sheet total, which amounted to 71.8 billion francs.

The group share of net consolidated profits amounted to 192 million francs, compared with 209 million in the previous period, as the result of a major increase in provisions for securities.

	Consolidated data:		
	Expressed in millions of FF	1989 1990	89/90 %
	Net hanking income	1,554 1,793	+ 15.4%
	Gross operating income	378 482	+ 27.5%
	Capital gams	183 260	+ 42.1%
•	Profit before tax and provisions	572 748	+ 30.8%
	Net provisions	185 403	+ 118 %
-	Group share of net profits	209 192	- 8.1%

The Cooke ratio of Banque Worms, at 8.36 % exceeds the statutory fireshold of 8 % applicable in 1992. Stockholders' equity and quasi-equity amounts to 4 billion French francs. Long-term capital increased by 33% and represented 9% of the consolidated balance sheet total.



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THE RANDFONTEIN ESTATES GOLD MINING COMPANY, WITWATERSRAND, LIMITED
Registration Number CLOCZS1/08
WESTERN AREAS GOLD MINING COMPANY LIMITED Registration Number 59/0320R/05
ELSBURG GOLD MENNIG COMPANYLINGTED

All companies incorporated in the Republic of South Africa THE RANDFONTEIN ESTATES GOLD MINING COMPANY,

WITWATERSRAND, LIMITED DIVIDEND A final divisiond, divisiond number 112 of 40 cents per share has been declared in respect of the Enancial year ending 30 June 1981;

26 June 1991 28 June 1961 8 July 1991 2 July 1981

This dividend is payable subject to the customery conditions which may be impected at or obtained from the company's Johannesburg office or from the London Secretaries, Bernald Brothers Limited, 98 Bishopegate, London EC2M SIGE Holders of share werrents to betwee whould assend to the terms of a notice to be published by the London Secretaries in July 1981.

> By Order of the Sound JOHANNESSURG COMPANY, LIMITED INVESTMENT COMPANY, LIMITED per: M.M. DE ALBUQUERQUE

WESTERN AREAS GOLD MINING COMPANY LIMITED ELSBURG GOLD MINING COMPANY LIMITED NOTICE TO SHAREHOLDERS

ds have ducided to pass the dividend for the second half of the correct fidencial ye

SHAREHOLDERS' MEETINGS

The Ordinary Shareholder's Meeting of L'OREAL S.A. met on Tuesday May 28, 1991, under the chairmanship of Mr. Lindsay OWEN-JONES, the Chairman of the Board and Chief Executive Officer.

it approved the accounts of the business year 1990. The managed turnover of the group represented 36.1 billion French france and the consolidated turnover 30.4 billion French trancs. The operating profit amounted 3.4 billion French trancs and the consolidated net profit, before capital gains and losses, after minority interest was 1.7 billion French frence. The earnings per share, investment certificate and conventible bond representations.

The Shareholders' Meeting decided to distribute a net dividend per unit of 7 French francs per share and investment certificate payable as of June 28, 1991 to all French banks and financial intermediaries. This dividend was up by 15.7% on 1989.

The Extraordinary Shareholders' Meeting then authorised the Board of Directors to increase the registered capital, within a period of five years, on one or several occasions, to bring it up to the nominal sum of one bision French francs, either through the issue of shares for cash, or through the incorporation of reserves. This resolution was simply evenewal of a former authorisation, given by the Extraordinary Shareholders' Meeting of June

The Annual Report of L'OREAL for the business year 1990 can be obtained from banks, stockbrokers and financial institutions or by writing to L'OREAL, Investor Relations and Business information, Office A 04 03 41 rue Martre - 92117 CUCHY - FRANCE

C. ITOH & CO. LTD

To the Holders of the Bearer Depositary Receipts Notice is hereby given that the 67th General Meeting of Shareholders of C. Boh & Co. Lat, will be held at 10.00 a.m. on 27th June 1991, at the Head Office of the company located at 1-3 Kyutaro-Machi, 4-Chome, Chuo-Ku, Ozaku, Japan. Notice of convocation of the meeting is smileble at the Stock Office, Hambros Bank Lat, Hambro House, Ingrave Road, Baratwood, Bases, CMIS STA U.K. and Banque Internationale & Luxembourg S.A. 2 Boulevard

Business Operations and Results for 1990/1991

Business Operations and Results for 1990/1991.

Fiscal year (ended 31st March 1991)

During Fiscal 1991, ended 31st March 1991, the lapanese economy continued in domestic demand-led expansion, technol by strong plant and expirment investment and construction spending. The inte of growth, however, gradually diminished as the period progressed. Owing to increases in a variety of costs associated with the tight labour supply, high growth in the money supply and tension ensuing from the situation in the Middle Bast in August 1990, Monetary Authorities adopted a restrictive monetary policy and raised the Central Bank Discourt Rate 0.7 per cost, to 6 per cost, in late August. This was the first time the Discount Rate had reached 6 per cent. In 8 years and 8 months. The influence in oil supplies and prices from the outhreak of the Middle Bast War in unid-famony 1991 was not significant. Furthermore, there was a movement toward the end of the year to adopt measures restraining the increase in land prices, and legislation was introduced in the Dict to establish a Land Tax.

increase in land prices, and legislation was introduced in the Diet to establish a Land Tax.

Oversest, the United States economy slowed substantially in the beginning of the period and entered a recession in the Fall, as negative growth in the housing industry together with lacktustre communer spending signalled the end of an eight-year economic expansion. In Europe, the United Kingdom clearly entered a recession. In Germany, the economy of former West Germany continued growing, supported by expanding domestic demand. However, in former East Germany unemployment and other difficulties bectme increasingly severe following German remification in October 1990. The economics of France and halv continued expanding, but the rate of export and economic growth slowed. Asian newly industrializing companies (NIES) attained fairly high growth through galass in domestic demand, and Asian countries also enjoyed economic expansion, spurred by rising fravign capital investments. In China, the economy began to show signs of recovery in the Fall as domestic demand expanded owing to monetury expansion and other factors. Fundamental economic changes were implemented in the U.S.S.R. and Eastern Europe, but economic conditions in this region appear to be deteriorating. In this economic conditions in this region appear to be deteriorating has and aimed to be a globally integrated corporation. In particular, to expand profitability, we responded to strong demand in Japan by strengthening domestic trading transactions in motal and ore, construction and real estate, and by expanding imports and exports of finished products in the strikes, industrial machinery and other areas. In the field of information and communications equipment, Japan Communications Satellite Company Inc (SCAT), an international light venture in which we are a participant and that has two communications satellites, maintained in records of forming and the democratization of Eastern Europe proceeds. During the period, we become a stockholder of Kromer, a major Germ

Domestically, C. Itoh worked to strengthen its earnings base and was actively Domestically, C. Itoh worked to strengthen its earnings base and was actively involved in several long-term large-cale regional development projects, including the Ninkhomiya Marine City near Kobe, the Makuhari New City Development project, the Kazusa New Research and Development City, the Kazusa International Airport Linktown and others. The company also alms to contribute to international society in a variety of ways. For example, in July 1990 we formed a Global Environment Room that is responsible for considering the impact of company activities on the environment.

C. Itoh's total trading transactions for Fiscal 1991 rose 0.3 per cent. or 632 Billion Yea to 20,395.9 Billion Yea. Growth was low because, although oversues energy transactions and precious metals contracts me. Import and

co. man's some memory quasascrous were rescal 1991 rose U.5 per cent. Or 632 Billion Yen to 20,395.9 Billion Yen. Growth was low because, airhough overseas energy bransactions and precious metals contracts rose, import and export transactions declined. The principal cause for the decline was the change in the method of accounting togoid ballion transactions for the Gold Savings Account, from the value of the total contract to the difference in value of contract traded. If this category is excluded from total trading transactions, import transactions rose because oil transactions increased in both price and volume terms, while export transactions remained at low levels as the growth of the U.S. accounts utiled and accounts in U.S. B. and China declined. of the U.S. economy statled and exports to the U.S.S.R. and China de of the U.S. economy stalled and exports to the U.S.S.R. and China decimen. In domestic transactions, the continued strength of Ispanese Economic demand countributed to growth in tentile, iron and steel, and construction transactions. Gross trading profit rose 10.3 per cent., or 21.5 billion Yen to 229.9 billion Yen. Ordinary profit, however, rose 17 per cent. or 3 billion Yen as interest expense jumped substantially owing to higher interest rates. Not income rose 2.3 per cent., 4 billion Yen, in 19.0 billion Yen despite an increase in extraordinary losses related to a write-off of 7.2 billion Yen loans to Iraq.

Amusal report for the 1990/1991 Fiscal Year will be available at Hambron Beak Lad and Benque internationale a Luxembourg S.A. by the end

Mexico sells state-owned bank for \$203.7m

By Damian Fraser in Mexico City

THE Mexican government has sold Multibanco Mercantil de Mexico to the financial group Grupo Financiero Probursa for \$203.7m, making it the first of the 18 state-controlled banks

of the privatised.

Grupo Financiero Probursa, headed by the brokerage Casa de Bolsa Probursa, bought 77 per cent of the bank's capital at \$3.05 a share, 2.66 times asset value per share. The deal turns Probursa, by

stock market value Mexico's fourth largest brokerage last year, into Mexico's first integrated financial group.

Probursa plans shortly to

buy an insurance company, and is actively seeking part-nership with e foreign bank, according to the company's Mercantil is the 14th largest of the 15 banks listed on the Mexican stock market. It has 92 branches mainly in Mexico City and Monterrey, the capi-tal of the state of Nuevo Leon.

In 1990 operating profits were 36,600m pesos, e 70 per cent increase on 1986. The government is expected to announce shortly the winning hidders for Banca Cremi and Banpals, the next two Mexican banks to be priva-

The next bank to be sold is Banamex, Mexico's largest bank, which will be sold, along with Confia, Banco Oriente and Bancreser. At 2.66 times book value, Banamer would be worth over \$3.5m, although its stock market value is presently closer to

San Miguel in loan for 598m pesos

By Greg Hutchinson In Manila

SAN MIGUEL, the Philippine brewing conglomerate, and e syndicate of banks and financial institutions yesterday signed a loan agreement for 598m pesos (\$21.5m) to help fund the company's expansion and modernisation pro-

The loss was drawn from a facility extended by the Export-Import Bank of Japan to the Development Bank of the Philippines (DBP) under the \$25n ASEAN-Japan Development Fund. The Philippines is the third ASKAN country to

The term of the loan is for 10 years inclusive of a three-year grace period. It will carry an interest rate of 1.34 per cent over what the DBP charges on the funds it lends to other financial institutions, currently 18 per cent. The rate

San Miguel said the loan would be used to finance the expansion and modernisation of production plants. Two months ago San Miguel share-holders rejected a debt conversion plan aimed at funding

Japan securities reform may apply to foreigners

JAPAN'S Finance Ministry may allow foreign banks and securities companies to fully own their securities and bank-ing subsidiaries in Jepan, if its ongoing liberalisation of Japan's financial system per-mits domestic institutions to do so, according to a ministry official, AP-DJ reports from Tokyo.

Currently the ministry lets foreign banks hold no more than a 50 per cent stake of their securities arms in Japan. The interest of foreign securities firms in their bank sub-sidiaries has the same restric-

However, if reform allows Japanese banks and securities sapanese tanks and securities firms to use wholly owned subsidiaries to cross the legal barrier separating the businesses, "it would be logical to extend the same system" to the foreign institutions, the official said.

Japan is moving towards lowering the barrier between its securities and banking businesses, with financial sys-tem reform likely to allow both to do business in the other's sector through fully owned subsidiaries. Observers expect the minis-try by 1998 to issue its final

report on reform, orging cross-participation through subsid-• Nakadachi Securities will start brokering interbroker

trading in US Treasury securi-ties in Tokyo on July 17.

The 30-year bonds and two to 10-year notes will be the first foreign securities for the brokers' broker to handle, an official said.

Treasuries move narrowly, ahead of data release

By Patrick Harverson in New York and Simon London in London

BOND prices were little changed in quiet trading yesterday morning, with dealers and investors staying on the sidelines awaiting the important economic data due later

At midday the benchmark 30-year Treasury bond was up is et 96 is, to yield 8.468 per cent. The two-year note was slightly weaker, down is at 99 is yielding 6.973 per cent.

The slight rise in the long bond was attributed to sporadic short-covering by dealers and the fact that Mr Alan Greenspan, the Federal repeat his recent positive com-ments on the economy at yesterday's hearings before a Con-gressional committee.

Some investors may have also bought bonds in the belief that the price, for the moment, has reached its short-term floor with the yield hovering just below the important 8% per cent mark.

Analysts say the market will not move much until everyone has had a chance to see Thurshas han a chance to see thurs-hay's retail sales and producer-prices figures and Friday's con-sumer prices and industrial production data.

MTHE upward trend in UK government bond prices was beld back yesterday as the Bank of England signalled that a cut in interest rates may not take place this week.

The Bank supplied £530m nine-day liquidity to the money market at an unchanged interest rate of 11.5 per cent, dampening speculation of an early easing of monetary conditions.

GOVERNMENT BONDS

The move had a sobering effect on the market, which had earlier interpreted slightly better than expected producer price data for May as a sign of an imminent cut in rates.

Manufacturing output prices rose by 6.4 per cent in May, for a year-on-year rise of 6 per

This compares with a year on-year rate of 6.2 per cent in April and 6.3 per cent in March, confirming that output inflation is at last on a downward trend.

The release of the figures

caused money market inherest rates to fall to 11 per cent," although they rebounded to

The Financial Times publishes a more comprehensive table of benchmark government bonds from today. The table now includes benchmark bonds from some of the high-yielding European markets, namely Spain, Italy and Denmark, which have attracted considerable recent interest from foreign investors. It also includes a revised selection of benchmark bonds from the UK, Germany and Australia. For example in the UK, a new short-dated gllt and a 10-year benchmark gilt have been included.

		Compon	Red	Price	Chungo		Whet.	ange.
AUSTRAL	<u>.</u>	12,000	11/01	105.5874	+0,315	11.08	10,91	10.00
BELGIUM		10,000	08/00	104.7000	-0.100	9,21	B.14	9.11
CANADA		2.750	06/01	99.3250	-	9.86	9.71	9.58
DENMARI	<u> </u>	9.000	11/00	98.8250	-0.025	9,17	B.14	9 15
FRANCE	BTAN	9,000	02/96	99,4853 102,5800	+8.110	9.11 9.07	9.08	8.92 8.75
GERMAN		8.375	06/01	100,1300	+0.100	8.35	8,31	8.36
ITALY	·	12,500	03/01	99.2100	-0.210	12.63	12.48	12.99
JAPAN	No 119 No 129	4,800	03/00	87.0544 97.7207	+0.136 +0.151	7.23 6.82	7.03 6.64	7.05 6 62
NETHERL	ANDS	8,500	03/01	20.0500	+0.070	8.64	8.62	8.82
SPAIN		11.900	07/96	00.6500	-0.100	11.99	11.96	11.57:
UK GILTS		19.000 10.000 9.000	11/00 02/01 10/06	95-15 97-05 90-22	-01/32 +00/32 +00/32	10.37 10.47 10.15	10.41 10.52 10.23	10.21- 10.23 9.92
US TREAS	URY "	9.000 8.125	05/01	96-03 96-05	+01/32	8.26 8.48	8.14 8.33	8.11

stand at 112 per cent by the close in response to the Bank of England's activities. Long-dated gilt prices rose around % of e point on the day

ighest levels. The benchmark 11% per cent git maturing 2003/2007 closed at 108%, up & on the day, for a yield of 10.476 per cent.

out closed below the the day's

■JAPANESE government bonds continued to drift lower yesterday as the strength of the dollar on the foreign exchange markets dampened hopes of an early cut in inter-

bond issue No 129 traded in London on a yield of about 6.82 per cent in late afternoon yes-terday against a close of a day against a close of 6.805 per cent on Monday. However, prices ended slightly above the day's lowest levels as investors looked to

buy cheap paper. THE German government points.

bond market was subdued by the weakness of the German currency on the foreign exchange markets, with few investors willing to commit-fresh funds to D-Mark denomi-

The September long bund futures contract on the London International Financial Futures Exchange closed at 85.60, up from 85.43 yesterday. However, volume was only moderate at 18,356 contracts. Recent international support for the German government bond market appears to be

wavering as some investors switch back into French goyernment bonds. Concern about the French overnment's fiscal stance contributed to a widening of the long yield spread between the French and German markets in

May from a low of 42 basis points to around 80.

However, the yield spread has started to narrow again.

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FT/AIBD INTERNATIONAL BOND SERVICE

INTERNATIONAL CAPITAL MARKETS

STET plans deal German bourses bid for the technological heights of \$275m to cut state holding from wat narkets to

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STATE Italy's state-controlled telecommunications helding international company, plans an laternational equity offering of about \$275m which will reduce the com the !! state'e holding in the company and increase foreign owner-

hip. STET, one of the largest telecommunications groups in karope with an estimated market valuation of about \$80m, is ket valuation of about \$50n, is controlled by RH, the Itslian state holding company, but has a portion of its shares uncted on the Milan stock exchange.

The offering is a secondary sale on behalf of IRI, which is is selling some of its non-voting shares to foreign investors to increase international ownership of the company. Part of the offer will be made in the US as a private placement under the Securities and Exchange Commission's Rule 144a.

The offer is for ISM units,

1442.

The offer is for 16m units, each of 10 savings shares (or non-voting shares) and a warrant for a further 10 savings shares. The units will be sold. shares. The units will be sold at a slight premium to the market. Lehman Brothers is the lead manager and Benca Commerciale Italiana (which is owned by IRI) is co-lead manager. Syndication, will be carried out by a very small group of investment houses. STET has two classes of shares ordinary voting shares, which account for about 70 per dent of the capital, and savings (or non-voting) shares. The dividend on the savings shares is

(or non-voting) shares. The dividend on the savings shares is currently L120 compared with L100 on the ordinary shares.

L200 on the ordinary shares.

L200

Fannie Mae in mortgage issue

THE Federal National adjustable-rate mortgages
Mortgage Association has (ARMS) provided by RAC Mortlead for the first time \$800m gage Funding and Western
mortgage backed securities, Federal Savings. RAC
lead to the London interbank reports from New York. Mae mortgage securities, West-The securities are backed by ein swapped \$100m of ARMS.

FT-ACTUARIES SHARE INDICES

shares holding will be reduced

plier of most telecommunica-tions services in Italy. It owns communications equipment manufacturer, and 59 per cent of SIP, the state telephone util-ity. Further details of the offer-ing will be released in Milan on

who were disappointed in the international offering managed to buy shares through HBC's domestic offering, according to Mr Adam Young of J. Henry Schroder Wagg, lead manager for the syndicate of international banks which underwrote the international of the syndicate of international lanks which underwrote the international of the syndicate of the syndic the international offer. The domestic offering was for 3.47m

to 30 per cent.
STRT is the monopoly sup-

Some international investors

domestic offering was for 3.47m bearer ordinary shares.
HBC is controlled by Greek-Cypriot family interests who own 79 per cent following the share offering.
The Taiwan Fund, a closedend investment company listed on the New York Stock Exchange, is offering a \$43.5m tranche of shares. The 1.86m new shares will be sold at a price of \$23% per share

But there are signs that a process characterised more by noise than creativity is gathering speed.
For last Friday's meeting at the Frankfurt stock exchange

opened the way for a more effective electronic securities trading system and put in place the framework for rationalising the regional character of the German stock

exchanges.
Efforts have been underway for years to advance securities trading beyond the gentlemen's club of eight regional markets from Bremen to markets from Bremen to
Munich – open until recently
for just two hours a day –
which eplit up liquidity
between themselves via an
antiquated floor and paperbased system bolstered by
scores of public service brokers.

But so entrenched were regional interests that modernisation plans have been plagued by split loyalties, false starts and half-hearted compro-

Despite the German stock



Rolf Breuer: 'It was a matter of first aid.'

market's high degree of depen-dence on foreign investors, efforts to cater to their needs invariably became bogged down in provincial squabbles leaving tha way clear for a high proportion of D-Mark ss to wander abroad. There is now a palpable

sense of urgency, however. London and particularly Paris look highly efficient operations that will pose more of a threat with the advent of the single European market.

Katharine Campbell on moves to a shake-up as the gentlemen's club nears the European single market

By comparison, Germany looks (in shares) costly, at times illiquid and ineffectively

Last week's plan, the brain-child of the big Frankfurt-based banks, against whose power the brokers and regional exchanges inveigh largely in vain, involves an integrated electronic system for trading the top 30 blue chip stocks, the most liquid government bonds and equity and fixed-income

derivatives.

It would operate, at least for the time being, alongside existing floor operations, with regional stock and bond business will send the stock and bond business will be stock and business wil ness still conducted regionally. It would concentrate liquidity, be easier to regulate, and in the long run be cheaper. The first country-wide screen-based system was the DTB, the options and futures

narket, which went on stream
18 months ago.
While the DTB is doing well,
this relatively sophisticated

system was born without the support of an efficient underly-

lbis, a share information system organised by the banks at around the same time, failed

Indicative prices on the screen were often withdrawn hastily when counterparties attempted to deal, and consequently little real business assed over tha new medium. The official and independent brokers meanwhile, fearing for their livelihoods and suspicious of big bank influence, began to craft their own com-

n upgraded fully elec-tronic Ibis was intro-duced with a greater degree of success this April and now handles some 10 per cent of daily share trading in

But as Mr Rolf Breuer, the Dentsche Bank managing board member closely involved with these developments, admits: "It [Ibis 11] is very primitive indeed It was a matter of first aid rather than inventing an instrument we can be really proud of into the to be done before any such plans come to fruition. It has yet to be agreed how exactly

next century." Despite the many millions of D-Marks spent on the Ibis systems, the move to computerisation remains controversial - for the regional exchanges loath to give up important business

areas as well as for the brokers as an endangered species. To help forge a consensus, the Frankfurt Stock Exchange commissioned a study with the help of a Mannheim uni-versity professor versed in the intricacies of computerised exchanges, to act as a "moderator" between the parties involved in defining the shape of the future marketplace.

While the coutent of the

study, discussed at last week's meeting, remains confidential, it addressed such explosive questions as the brokers'

future.
But the direction of Mr Breuer's thinking at least was clear when he commanted recently: "They will be helped to find security market-related jobs. I don't see an unemploy-ment problem."

There is still much cajoling

accommodated - perhaps via a shareholding - in the Deut-sche Börse, the pan-German holding company Frankfurt

In addition to amalgamating the array of hitherto separate clearing and settlement and data processing operations, the new structure is supposed to include the DTB. While the suggestion came as something of a surprise to the DTB, its executives will have a tough time if they wish to resist, given that the exchange's shareholders are the same big banks that are calling the shots over equity market devel-

ver the summer a tech-nology consultant will study the feasibility of combining the various systems Ibis, an order-routing operation in progress called Boss, and, probably, the DTB.

It has been immensely costly

in terms of time and ill-fashioned interim solutions to get to this point. It remains to be seen how quickly efforts can be wholeheartedly redirected to

Dealers report little demand for \$250m Phillip Morris offering

By Tracy Corrigan

THE trend for smaller, retail-targeted issues appears to be gaining ground in the Eurobond market, although some underwriters are scepti-cal about how much paper is being placed.

being placed.

Corporate borrowers are returning to the sector, but the still fragila market for corporate debt is in danger of being pushed too hard by aggressive funding for weaker credits, according to dealers.

A \$250m offering for Phillip Morris, the US tobacco company, was widely considered.

Morris, the US tobacco com-pany, was widely considered too tightly priced.

Deutsche Bank Capital Mar-kets was lead underwriter of the issue of 8% per cent five-year bonds, priced to offer a yield spread of 59 basis points above the comparable Trea-sury.

Although Phillip Morris is

INTERNATIONAL

can achieve premium pricing, because of the high level of name recognition among European retail investors, most underwriters reported little or no demand for the deal at this

"It is a triple-A pricing for a single-A name," one under-writer said. "Its reputation is better than its rating, but not by that much." Most banks said the com-

pany's first dollar offering since 1988 should have been priced 10 to 20 basis points wider, comparing it with a recent issue for Ford, which is currently trading at a yield Atthough Phillip Morris is spread of 87 basis points over viewed as a borrower which the curve.

EQUITIES

brought a 10-year deal in the US which cleared at around 80

basis points above the compa-rable Treasury yield.

Dealers in the US said fiveyear paper could be sold there at a spread of around 65 basis points. However, the corporate market is generally thought to be rather better in the US than

in Europe, Underwriters will break even (that is, lose all their fees) at around 70 basis points. Even at that level "the deal is a tough sell", one under-

writer said.

A number of banks declined to participate in the deal or were downgraded from co-lead to co-manager level. Deutsche Bank said that it expected retall investors to buy

NEV	V INTE	RNATIC	DNAL	ISSU	ISSUES			
Borrower US DOLLARS	Amount m.	Coupon %	Price	Materity	Fees	Book runner		
Phillip Morris Cos.inc.(a)†	250	83	101.03	1996	13/14	Deutsche Bk Cap.Mkts.		
Seldaul House(a)	200	412	100	1996	24/11/2			
Asahi Tec Corp(a)	70	434	100	1995	24/11/2			
Goldstar Co.(f)5	70	(312)	100	2006		Salomon Bros.		
CANADIAN DOLLARS								
GECC(b)†	150	10	100.725	1996	1 %/1.8			
redit Lyonnals(s)†	150	10%	101.405	1996 '	1%/1.725	Merrill Lynch Int.		
D-MARKS								
Sekisul House(a)#	250	4	100	1995	24/12	Yamaichi Bk GmbH		
Soc.Generale Acc'tance(c)f	80	14	100	1993		Soc.Gen.Elsaessische Bis		
andwirtschaftliche R'bk(d)†	50	10	10112	1994	1.6/1	Merrill Lynch AG		
WISS FRANCS				-				
Cinkl Sharyo(e) ***	60	2%	100	1995	-	Credit Suisse		
Toyo Chemical(a) A ★◆	40	23	100	1996	-	Banque Paribas (Suisse)		
JANE .								
SECC(a)†	1506n	11%	101.60	1996	1%/1%	IMI Benk (Lux.) SA		
TEN .								
VEC Corp(a)t	30bn	7.15	1013	1997	17/1.675	Dalwa Europe		
IEC Corp(a)t	30bn	7.15	1013	1999	2/14	Nomura Int.		
sahi Chemical Ind (a)†	20bn	7.2	101 %	1996		Dalwa Europe		

ened by 20 basis points from its indicated at 3½ per cent and launch spread of 78 basis the conversion price will be set

Goldstar, the Korean hi-fi manufacturer, launched a \$70m convertible offering, via Salo-

at an indicated premium of 23 per cent. The deal was described as realistically priced, given the relative weak-ness of the market. The Korean the issue over time, pointing convertible offering, via Saloout that a deal for the unrated mon Brothers.

Dutch, State Mines, bad, tightThe bonds will pay a coupon stock market is currently

closed to foreign investors, but may be opened next year. Two more Canadian dollar deals emerged. Recent issues have been performing well, as the sector still offers a two

LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY

LONDON RECENT ISSUES

in conjunction with the	i insti	tute o	Ach	mies :	and th	e Fac	uity o	f Actu	aries	
EQUITY GROUPS		Tuesc	iay Jin	ne 11	1991		Mos Jun 10	Fri Jum 7	The . Jan 6	Year ago
2. SUB-SECTIONS Egams to parentheses show number of stocks per section	Index No:	Day's Change	Est. Earnings Yield% (Max.)	Gross Oiv. Yleid% (Act at (25%)	Est. P/E Ratio (Ngt)	nd adj. 1991 to date	Index No.	jadez No.	Index No.	ladex No.
CAPITAL COORS (186) 2 Building Materials (24) 5 Contracting, Colstruction (31) 4 Electricals (10)	סט, זיוויאן	+18 +18 +19 +19	10.76 9.72 8.78 10.91	5.74 5.76 6.18 5.56	11.44 12.84 14.98 11.67	15.% 22.01 31.17 61.85	834.92 1067.18 1292.92 2403.63	828.88 1058.90 1287.94 2391.31	831.81 1060.33 1278.86 2414.56	2622,81
6 Engineering Acromace (8)	432.73	+0.4 +0.7 +0.7 +1.2	8.89 16.13 12.19 19.22	5.13 5.79 5.84 7.43	9.93	7.81 10.60 8.73 2.31	1746.52 429.90 448.52 459.14	1740.04 429.02 445.34 457.57	1751.81 430.14 446.27 461.85	1893.62 495.44 500.48 492.56
6 Metals and Metal Forming (8) 9 Notors (13) Lift Other Industrial Materials (20) 11 CONSUMER GROUP (168) 25 Brewer and Distillers (22) 25 Food Manufacturing (20) 26 Food Retailing (16)	334.01 1563.88 1490.47 1849.73	+2.6 +2.2 +1.1 +1.8 +0.8	11.89 9.03 7.97 8.59 9.68	7.27 5.13 3.66 3.59 4.28	9.92 13.03 15.41 14.19 12.72	9.98 32.53 20.13 27.26 21.35	325.67 1530.34 1474.45 1817.24 1168.27	321.77 1513.16 1470.88 1810.16 1167.23		369.24 1645.62 1317.67 1618.18 1100.88
22 Food Matematicum (15 de la 15 de la	3310.94 1311.04	+1.7 +1.7 +1.7	7.94 5.47 10.00 9.07	3.04 2.45 5.28 4.89	16.46 20.87 11.87 13.96	30.32 29.05 23.57 22.92	2757.58 3469.77 1289.63 1424.94	2734.57 3481.95 1284.28	2746.77 3521.80 1297.27 1419.53	2507.76 2602.39 1497.19 0.00
11 Packaging, Paper & Printing (17) 10 Stores (33)	920,98 556,89	+0.9 +4.0	7.97 8.40 9.67 9.92	4.72 4.00 5.62 5.12	15.17 15.57 12.78 12.38	11.81 13.06 11.43 13.71	690.66 912.69 535.54 1235.47	691.63 908.72 533.82 1232.98	695.72 914,29 533.97 1241.61	600,68 836.96 516.41 1192.26 0.00
(I) OTHER GROUPS (187) AB Business Services (12) Chemicals (21) Conglowerates (10) H Transport (13) S Electricity (14) Telephone Networks(4) Water(10) Miscellances (23)	1719.15 1393.65 1507.76 2230.86	+13 +65 +01 +13	10.82 8.18 10.10 10.96 11.34	5.34 5.17 6.88 4.68 5.46	11.37 13.88 11.95 11.26 11.05	13.23 31.63 17.49 36.17	1203.40 1387.02 1506.01 2202.74 1221.97	1383.26 1500.95	1203.90 1395.21 1520.83 2195.08 1233.89	
16 Telephone Networks(4) 17 WaterQO. 18 Miscellaneous (23)	1490.64 2994.45 1931.31 1256.16	+1.6 +0.7 +1.2 +1.0	10.24 15.85 5.98 9.15	4.03 6.22 4.93	12.75 7.01 21.46 13.43	0.00 39.69 41.50 17.29	1476.39 2377.33	1480.11	1485.85 2392.58 1908.96	1212 13 1934.54 1784.22 1188.27
22 OII & Cas (19)	1354.78		11.24 9.42 7.71	5.67 4.68 5.96 6.19	11.71 13.18 18.82	58.59 19.93 19.69 22.63	2385.38 1341.08 785.95 881.04	2390,79 1337,67 784,35 879,27	2395.66 1346.58 787.76 878.93	
56 Insurance (Composite) (6) 57 Insurance (Brokers) (8) 58 Merchant Buoks (7)	659.92 1122.19 423.41	12.4 12.4 10.2	7.10	5.55 6.64 5.99 4.89	18.34	41.64 20.23 26.21 8.32	1469.89 644.37 3096.36 422,71	1472.13 647.18 1091.51 422.49	1477.02 657.31 1090.78 420.86	1431.34 705.47 1049.80 451.67
1 Investment Trasts (70)	947,91 280,57 1219,19 1220,12	+0.5 -0.1 +0.6 +1.1	6.61 9.37 -	5.08 6.49 3.46 4.82	20.94	16.45 5.24 17.72 19.57	943.39 280.76 1211.33 1207.25		940.60 281.53 1217.27 1711.93	307.21 1222.27
FT-SE 100 SHARE INDEXE	ledex #6. 2542.5	Change +30.7	Day's High tal 2543.0	Day's Low (b) 2517,8	Jan 10 2511.9	Jan 7 2506.3	Jan 6 2525.3	3521.5	Jun 4 2506.0	Year 290 2370.7

	FD	ED I	NTE	RES	-		7	AVERAGE GROSS REDERPTION YIELDS	Tpe Jun 11	Mon Jun 10	Year ago (approx.)
1 A	PRICE INDICES	Tue: Jun	Day's change	Mon Jun 10	Accrised Interest		Ž	British Covernment Low 5 years	8.93 10.09 10.09	9.35 9.90 10.03	11.19 10.95 10.90
	##15th Government Up to 5 years (29) 5-15 years (28)				2.48 2.53	4.63 5.77	5	Coupons 15 years	10.42 10.32 10.25 10.59	10.43 10.33 10.24 10.60	12.20
	Over 15 years (9) Irredecessibles (6) All stocks (72)	135.66 148.66	+0107 -0.22	135,56 149,01	1.71 1.42	6.05 6.35 5.47	-8	Nigh 5 years. Coupon 15 years. (11%-) 20 years.	19.48 10.36 10.28	10.48 10.36 10.26	11.61 11.40 10.88
ب ت 6	Index-Links: Up to 5 years (1), Over 5 years (10)	158.96	-0.15	159.20	0.25 1.04		12	Inter-Linked Inflation rate 5% Up to Sycs. Inflation rate 5% Over 5 yrs. Inflation rate 10% Up to 5 yrs.	4.29 4.27 3.44	4.22 4.26 3.37	5.12 4.13 4.12
8	All stocks (13)	147.46	פנס-	147,65	1.01	Ĺ70	15	Interest rate 10% Over 5 yrs	4.10 11.90 11.70	11.90 11.70	3.96 13.84 12.96
	Dehs & Lams 60.				3 - 3		17	25 years	11.52	11.52	12.95

49. 77. 51. 10. 11. 19. 20. 44. 19. 19.	94 94 39 43 98 89 60 15	+18 +0.8 +1.1 +1.7 +1.2 +1.1 +0.9 +0.7 +1.3 +0.5 +0.1	8.2 7.1 5.10.1 9.1 7.1 8.2 10.1 8.10	58 57 50 57 50 57 50 57 50 52 52 53	3.59 4.20 3.04 2.45 5.28 4.72 4.00 5.62 5.12 5.17 6.88	14.19 12.72 16.46 20.87 11.87 13.96 15.17 12.78 12.38 11.37 13.88 11.95	27.26 21.35 30.32 29.05 23.57 22.92 11.81 13.06 11.43 13.71 13.23 31.63 17.49	1168.27 2757.56 3469.77 1289.63 1424.94 690.66 912.69 535.54 1235.47 1203.40 1387.02	1167.2: 2734.5: 3481.9: 1284.2: 1413.1: 691.6: 908.7: 533.8: 1232.9: 1196.6:	3 1174,6 7 2746,7 3 3521,8 3 1297,2 3 1419,5 3 695,7 9 914,2 2 533,9 3 1241,6 7 1203,9 4 1395,2	7 2507.76 0 2602.39 7 1497.19 3 0.00 2 600.68 9 836.96 7 516.41 1 1192.26 0 0.00	100 100 25 50 1230 385	FFR	101 109 27 564 41	SSESSESSESSESSESSESSESSESSESSESSESSESSE	Do. Zero D Brockham Do. A Warr Do. North Catty Merch Contra-Cyc Do. Zero D Globe Petro Gresscore / Manchesta Manpower Minro-Geo	ston 10p casts 10p ga 210p mats 10p mats 10p mats High Yid fical loc 1p loc 1p lic 1p lic 1p lic 1p lic 2p	1054 1054 1054 101 104 26 310 27 310 27 310 311 311 311 311 311 311 311 311 311		M12.32 N7.5 N6.55 N4.13	57 L 17 5	
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UK AND IRISH COMPANY NEWS

All-round progress at Northern Foods

DOUBLE-DIGIT percentage increases in the operating profit of each of its four divi-sions enabled Northern Foods to report a 17 per cent rise in its pre-tax balance for the year eoded March 31 1991.

The outcome was £105.4m. compared with £90.2m, and the shares responded with a 20p rise to 470p, an all-time high. Mr Christopher Haskios, chairman, said he found it "yery difficult not to be smug" about the results, describing the year as one of "excelleot progress". The current year had started well and he was confident the group's strategy had "plenty of staying power" for the next five years.

Turnover rose 8.5 per cent to £1.19bn (£1.09bn), although this

reflected some elimination of low margin business. Close to

group's four largest customers. the food retailers Marks and Spencer, Tesco, J Sainsbury and Safeway, with another 20 per cent accounted for by door-step milk deliveries.

Operating profit margins rose from 8.6 per cent to 9.4 per cent and Mr Haskins said they should climb to over 10 per

cent within three years.
Interest charges moved up from £1.4m to £3.5m, but that reflected the £69m spent oo acquisitions during the year. Mr Martin Clark, finance director, said that after financing costs the acquisitions contributed about £250,000 to pre-tax profits. Capital expenditure of £61m was made over the year. likely to rise to over £80m in the current year.

Despite the £130m of investment and acquisitions, the £32.5m, leaving borrowings at 17.5 per cent of net assets. The reduction in corporation tax rates helped earnings per share to rise by 18.5 per cent to

34.66p (29.25p). A final dividend of 8.5p gives a total 16 per cent

higher at 14.5p (12.5p).
The largest operating profit increase came from the convenience foods division, up 40 per cent to £21.8m. Mr Clark said the gain would have been about 25 par cent excluding acquisitions. The division cludes recipe dishes, yogurt and dairy desserts, sandwiches and filled rolls, food distribu-

tion and speciality cakes. The dairy division, which contributed 45 per cent of group operating profits, increased its profits by 10 per cent to £49.9m. The doorstep milk delivery business weot

supermarkels. However, weak prices and a shortage of milk affected the milk manufactur-ing side, leaving profits there unchange

The meat business increased profits 21 per cent to £22.1m with strong growth at Pork Farms, which makes pork pies, and a £1m contribution from Palethorpes, a pie and pasty maker bought from Sainsbury during the year. The chicken side was hit by falling prices and produced an unsatisfac tory return, but Mr Clark said the business was not as hard hit as others as it bought in two-thirds of its chickens.

In the grocery division Fox's Biscuits had a strong year, and the division raised profits by 17 per cept to £17.8m, pushing the operating margin above 10 per

relaxed about £20m capital advance delay By Maggie Urry

Brent Walker

BRENT WALKER, the leisure group which last week put proposals for a rescue refinan-cing to its 47 banks, was last night relaxed about receiving a £20m working capital advance from its banks by the

had already agreed to put up their share of the advance but others were taking longer to decide. Brent Walker shares rose 2p to close at 25p yester

nave not agreed to the sugges-tion that they convert their bonds to ordinary shares at 10p, rather than the original conversion price of 140p, and take the rest of the capital value in preference shares. A compromise is expected to be reached, however. Bond-bolders are unhappy that they

Smurfit, its chairman, person-ally invested £10m.

Fyffes seeks I£60m to provide funds for future acquisitions

FYFFES, the Ireland based fruit importing company, has announced a rights issue with the aim of raising 1250m (£55m) "to take advantage of any large acquisition opportunities that may arise and to provide a

on the basis of one convertible preference share for every five preference share for every five ordinary shares – gave rise to speculation about a possible move by fyffes on PPI Del Monte, the fruit growing and distribution subsidiary of the Polly Peck group. Fyffes has given no public indication of its interest but an acquisition of such a size would fit into its of such a size would fit into its

expansion plans, particularly in Europe. If PPI Del Monte is put up for sale there is speculation that a price of between £250m and £300m might be put on the operation. Fyffes would have a cash hoard of between £300m and £100m following the rights

Fyffes also announced its results for the six months to April 30 1991. Pre-tax profits were up 1.5 per cent to 129.38m (129.23m) on sales ahead 24 per cent to 19271.7m (19219.3m).

"hanana hattle" over banana aupplies from Honduras, an inated by Standard Fruit and Chiquita International Brands. two US companies.

Fyffes has grown rapidly in the last ten years from being a fruit and vegetable distributor in the border counties of the Irish Republic to one of the top ten Irish public companies. Spearheading operations has been Mr Neil McCann, chairman of the company, and two sons. Mr John Callaghan, a senior member of a Dublin accountancy firm, has now been brought in as group chief

Weak markets reduce BSS to £13.34m

By Clare Paaraon

BSS, the commercial, industrial and domestic heating company, saw all its mar-kets weaken during the year to eod March and pre-tax profits

fell by 8.2 per cent from £14.53m to £13.34m. The result was scored on turnover up 13 per cent to £219.7m (£194.22m). Most of the increase reflected domestic beating acquisitions in the previous year, with the balance due to inflation and a small increase in volome.

Mr Ian Phillipps, chairman, said the commercial and industrial market, which had lagged behind the domestic market, had weakened during the secweaken further over the com-

ing months. Meanwhile, the domestic market, which should lead the recovery, appeared to have stabilised. But published statistics showed that it was some 23 per ceot below its peak in 1988.
"All in all, 1991-2 shows
every sign of being a very diffi-

cult year in the marketplace." Trading profit was broadly stable at £16.17m (£16.16m) hut interest charges were up at £2.83m (£1.63m). Mr Allan Milne, chairman, said that was because of an increase in bor-

rowings at the start of the year, to fund the Labone and Heatek acquisitions.

After that, a timing change in payment of corporation tax had led to a cash flow of some £8.5m. Mr Milne said that was a one-off effect. On share capital enlarged by

a 1-for-10 rights issue in Octo-ber 1989, earnings fell to 41.6p (47.5p). The final dividend is held at 11.5p making an unchanged 17.25p for the year.

• COMMENT

Firmly focused on the UK, BSS certainly painted a dismal pic-ture with its results yesterday, and it has entered this year burdened with an uncomfort-ably high level of horrowings and facing ever-tonghening price competition. But on the

comfort themselves with the reflection that there are believed to be some much more severe casualties in its markets and BSS says it has increased its market share. Its current year fortunes will depend greatly on when the housing market picks up again, since demand for domestic heating rises at the start of an economic upturn while the com-mercial and industrial side lags it. Assuming some improve-ment by the end of the year, the company should achieve pre-tax profits of about £11.5m. That puts the sbares on a pro-

Sale Tilney arm seeks winding up order

SHAREHOLDERS in Sale Tilney, the troubled mini-con-glomerate, suffered another blow yesterday when it said Monument, its Isle of Man insurance underwriting subsidlary, was seeking a winding up petition from the Manx court after having ceased all underwriting and payment of claims. Sale Tilney's share price nose-dived 12p to 19p after the

liabilities of £2.75m as at April 26 compared with net assets of £77,000 in the last audited accounts at November 30.

place a scheme of arrangement whereby its creditors will agree to rolling over their liabilities. As part of this, Sale Tilney said it might make a capital contribution.

If its petition is granted, Monument bopes to put in

announcement yesterday.

It said Monument had net mum amount that could be

claimed in guarantees made by the parent company was £30.6m. However, such claims would only be to the extent that they were not met by Monument's own insurance funds or those of its reinsurers. The company said the prob-lems at Monument and "difficult trading conditions across the group meant it would

report a a pre-tax loss for the current year. Yesterday's announcement

came after Sale Tilney had incloded a \$2.4m provision for Monument's onderwriting losses in last year's accounts. That, together with exceptional losses in other parts of its

losses in other parts of its group, meant the company plunged into a pre-tax loss of £3.62m (£5.02m profits).

Mr Andrew Coppel, former finance director of Ratners jewellers, was appointed as a "new broom" chief executive in October last year.

By Kieran Cooke in Dublin

strong base for organic expan-sion." News of the issue – offered

end of the week.
Some of the banks involved

The group needs the short term funds before the June 22 date by which the banks, owed £1.8bn by the group, are due to give a response on the

have not agreed to the sugges-

holders are unhappy that they are being offered second prefwould get first preference shares under the proposed scheme. Bondholders feel their preference shares should rank equally with those of the

banks. The largest bondholders agreed to a postponement antil tomorrow of the first interest payment due on the bonds, which were issued last November, and this could be rolled over again if agreement has not been reached by Thursday.

Jefferson Smurfit, the Irishbased paper packaging group, said in its accounts, published last week, that it could not value the bonds until the value the bonds until the restructuring was agreed. It included the bonds in its balance sheet, dated January 31, at 1614.7m, their then market value. Yesterday the bonds were quoted at 38 compared with a 100 issue price.

Smurfit invested £15m in the Issue and Mr Michael Smurfit, its chairman, person-

Earnings per share came to 2.22p (2.08p) and the interim dividend is 0.3226p (0.2933p). In the middle of last year

Brokers cut Ratners forecasts Meanwhile, holders of the £101.9m convertible capital bond are talking to the group and its advisers on the offer made to them under the proposals. So far bondholders been part agreed to the maders. SHARES IN Ratners, the mate from £120m to £104m. ditions, part of the poorer sa

mate from £120m to £104m.

SHARES IN Ratners, the jewellery retailer, dipped 7p to 154p yesterday, against the trend of a rising stock market, as stockbrokers cut their fore-casts of profits for the year to end January 1992. County Nat-west WoodMac, the company's stockbroker, downgraded its forecast from £130m to £112m, the same as the company achieved in 1990-91, including

\$2m from property.

Kleinwort Benson, which claims to have been first in downgrading yesterday, took an even more bearish view of

the group, cutting its forecast from £125m to £100m. James Capel reduced its esti-

On the County NatWest fore-cast earnings per share would be 19.1p, for a prospective p/e on yesterday's closing price of 8.1. Analysts expect the divi-dend to be at least maintained, giving a prospective yield of 8.7 giving a prospective yield of 8.7 They said they had reduced forecasts because of poor sales

in the UK business - which are believed to be down 5 per cent on a like-for-like basis so far in the current year - while costs are rising, thereby squeezing margins and push-

ing UK profits down.

Although all UK retailers are suffering difficult trading con-

ditions, part of the poorer sales performance at Ratners was put down to a well-publicised put down to a weit-publicised speech by Mr Gerald Ratner, chairman, in April when he jokingly disparaged some of the products sold in some of the group's stores.

He said an imitation book with curied up corners was in poor taste and that a £4.95 cut-plass sherry decenter with six

glass sherry decanter with six glasses was "crap". Sales in the US are said to be

flat on a like-for-like basis, but the inclusion of Kay Jewelers. acquired last year, is expected to push up US profits, to exceed those from the UK for

holders, increasing the ordi-nary capital to 973m shares.

Guinness shares jumped on the news of LVMH's purchase

plan, finishing the day up 30p at 996p. S.G. Warburg is bidding for the extra 23.4m shares until

LVMH to buy Guinness shares

LVMH MOET Hennessy Louis Vuitton, the French luxury goods maker, intends to buy up to 23.4m Guinness shares at op to £10 a share each to bring its stake back up to 24 per cent, the level agreed in their cross-

the level agreed in their cross-holding arrangement.

"This it totally routine," said Mr Robert Leon, a LVMH direc-tor. "This is being done in per-fect accord and co-ordination with Guinness."

Mr Leon said relations between LVMH and Guinness, the British drights grown mees,

the British drinks group, were excellent and the two groups had no intention of ending the Guinness said it welcomed the move by LVMH to equalise the

Toss-holdings.
LVMH's stake in Guinness fell to 21.7 per cent following the conversion of Guinness convertible preference shares and convertible loan stock into ordinary shares. Guinness said holders of a

nominal £40.6m of loan stock and £202.2m of convertible preference shares lodged notice of conversion on May 31 and

ness shares will be alloted to the loan stock bolders and

56.6m to the preference share

As a result, 14m new Guin-

Costain Group

Correction

Sir Godfrey Messervy retired as chairman of Costain Group last November. An article in yesterday'a Financial Times described him as still occupy-

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Dun & Bradstreet please contact Linda Smith at the address below:

Dun & Bradstreet Limited, The Business Development Group, 2nd Fluor, Arndole House, Cannon Street, Manchester M4 JAQ. Teh 061-834 6767. Fax: 061-839 1780.

To all shareholders in



You are urged to support your Board by voting against the **Norwich Union** proposals.

- The issues are: ■ That Norwich Union has been totally intransigent and will not consider anyone other than Mr Michael Beckett and his proposed team of directors as the new board for your
- Mr Michael Beckett and his team have very little experience relevant to this Company and industry and do not have the support of senior operating management.
- He and his team have produced no strategy for your Company.

is a wholly impractical proposition.

- By contrast: Your existing Board has consistently sought to reach an agreement with Norwich Union.
- Your existing Board has the necessary experience to run the Company and has the support of senior operating management.
- Your existing Board is pursuing a coherent strategy. Decisive action already taken will translate your Company's strong operating performance into ahareholder benefit. ■ The wholesale removal of the Board puts the Company and your investment at risk and

damage your Company. Vote **AGAINST** the resolutions by using a **GREEN** proxy card.

Your Board unanimously urges you to reject Norwich Union's crusade which could

Even if you have filled in a yellow proxy card, you can still CHANGE your vote by filling in a GREEN proxy card. You must return your proxy card by 2.30 pm on Monday, 17 June, 1991.

The above points are extracted from a letter from Sir David Nicolson, Chalranau of TACE, in a circular sent to strareholders on 7 June, 1991.

The Directors of TACE pic accept responsibility for the information contained in this advertisement, which has been approved by Brown, Shipley & Co. Limited and Belmont Bank Limited, both members of the Securities and Futures Authority. The Directors of TACE plc confirm that to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained herein is in ac the facts and does not omit anything likely to affect the import of such information

UK COMPANY NEWS

(£401.3m), including a 1 per

cent volume increase in the core husiness. Investment

expenditure was on target at £229.8m (£192m). Net interest

payable rose to £18.1m (£18.1m).

deal pre-privatisation, and pop-ulation distribution in the

region. Pre-tax profits of £175m are expected for this year. With a dividend of about 19.5p the

prospective yield is over 7 per cent. The shares look a sound

staff pay claim. "The financial

services industry has been somewhat tresponsible in the last few years," he said.

At the other leading UK banks only the directors of

Midland are taking a drop in

pay this year. Sir Thomas said the recent

success of the bank's £194m rights issue, which was 98 per

cent subscribed, showed the

tullo is to be executive governor, the first in the bank's his-tory. Up to now he has been

deputy governor and group thief executive. Professor Jack

tish Financial Enterprise, and Mr Thomas Hutchison, an

Chemical Industries, were elected deputy governors.

confidence that existed. Unlike Sir Thomas, Mr Pat-

Anglian Water cautious with 14% dividend rise

SANGLIAN WATER yesterday reinforced its stock market flinge as one of the most cau-offices of the water companies by announcing a full-year divi-dend increase of 14.8 per cent, the bottom of the expected

or the bottom of the expectation of the sector.

The final payment of 11.7p,

To make 17.5p (15.315p) for the

Tyear to March 31, was reported. wifti pre-tax profits ahead to

Mili pre-tax profits ahead to MS2-6m (f.189m).

Why Alan Smith, managing director, said the dividend increase was "entirely consistent" with assumptions made when the regulatory regime for like privatised water industry was set up in 1899.

However, My Smith said that set privatisation it had been assumed Anglan's earnings

assumed Anglian's earnings per share for the year would be flat. In fact, they came out slightly ahead at 45.9p (42.1p), the contributing factors being lower-than expected construction costs and benefits of treations are represented. Sury management.

Unlike most other water
Companies, Anglian was privadised with net debt. Last year, If moved much of its borrow

ings on to a long-term basis *Aerospace difficulties depress

JFB profit

DIFFICULTIES in world aerospace markets depressed first-half profits at Johnson & Firth Brown, the Sheffield based metals and engineering group, which reported pre-tax profit to March 31 down from \$1.7m to \$5.08m.

of £50.88m (£60.15m), including a first contribution from Monroe Forgings, acquired in February to provide JFB with an

entry into the valuable US aerospace market.

About half the fall in pre-tar-profits was due to the sale of associate husinesses announced in December, the

Nevertheless its aerospace business, which comprises about 28 per cent of overall sales, suffered a considerable downburn in the first half, with sales about 25 per cent lower, said Mr George Hardle, joint managing director. = The group warned that with

aerospace markets faced with continuing difficulty, it expec-ted the second half to be "at least as difficult as the first

least as difficult as the first half."

It was maintaining a strong capital expenditure programme with spending of £3m in the first half expected to rise to £16.34m from a previous £17.35m on turnover up by 16.6 per cent from £32.13m to £30m for the full year. On for the full year. However, market conditions. The interim is held at 1p which deteriorated towards the £8m for the full year.

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE LOANS LISTED BELOW ARE NOT AVAILABLE FOR PURCHASE

ISSUES OF GOVERNMENT LOANS

The Bank of England announces that Her Mejesty's Treasury has created on 10th June 1991, and has issued to the Bank, additional

The price paid by the Bank on issue was in each case the middle market price of the relevant Loan at 3.30 p.m. on 10th June 1991 as certified by the Government Broker.

In each case, the amount issued on 10th June 1991 represents a further tranche of the relevant Loan, ranking in all respects paripasso with that Loan and subject to the terms and conditions applicable to that Loan, and subject also to the provision combined

in the final paragraph of this notice; the current provisions for Capital Gains Tex are described below.

Application has been made to the Council of The International Stock

Exchange for each further tranche of the Loans to be admitted to the Official List.

Copies of the prospectuses for 10 per cent Treasury Loen, 1994 dated 2nd January 1997 and 83 per cent Treasury Loen, 2007 dated 11th July 1986 may be obtained from the Registrer's Department, Bank of England (New Issues), Southgate House, Southgate Street, Gloucester, GL1 1UW.

The Loans are repayable at per, and interest is payable helf-yearly, on the dates shown below:

The further tranches of 10 per cent Treasury Loan, 1994 and 8½ per cent Treasury Loan, 2007 will rank for e full six months' interest on

Each of the Loans referred to in this notice is specified under personally 1 of Schedule 2 to the Capital Gains Tax Act 1979 as a gilt-edged security funder current legislation exempt from tax on capital gains, kneepective of the period for which the Loan is held).

Government Statement
Attention is drawn to the attention is drawn that it is desired to the orderly conduct of fiscal policy, neither Her' Majesty's Government not the Bank of England or their respective servants or agents undertake to disclose the changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, these further tranches of the Loans are issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor cive rise to

neither render any transaction liable to be set aside nor give rise to

10 per cent Treasury Loan, 9th June 1994 9th June

10 per cent TREASURY LOAN, 1994

emounts as indicated of each of the Loans listed below:

£100 million 81 per cent TREASURY LOAN, 2007

Anglian Water

With Mr Byatt, the water industry's regulator, firing off letters expressing worries about what big profit increases and ambitious diversifications mean for customers, investors have been smiling on conservative companies like Anglian of late. It has never been involved

of those most hard hit by the drought and since winter 1989 it has brought forward \$25m worth of schemes to boost sup-plies. But Mr Bernard Henderson, chaleman, warned yesterday that if the weather became more extreme a hosepipe ban, already effective in some regions, might have to be extended.

Turnover was up at £460.6m

Slump in **UK** housing halves Meyer

THE SLUMP in UK housing. which has seen the number of housing starts fall by more than 20 per cent in each of the pest two years, hit profits at Meyer International, which includes the Jewson builders' merchant chain.

Taxable profit fell by 49 per cent from £70.8m to £86.1m on turnover that slipped to £1.13hn (£1.14hn) in the 12

late. It has never been involved in the dividend race and its The dividend was nevertheless maintained at 16.5p, after one acquisition, a sewage sludge digestion company, cost it £7.8m last year. Some people are concerned it is keeping too a 12.3p final. It was covered 1.7 times by earnings per share of 27.9p (54.8p). loose a rein on operating costs, although there are plenty of excuses for last year's increase,

Sir Oscar DeVille, who will retire as chairman in Septem-ber, said the business had been affected by a drop in repair work as well as by reduced building. The size of the Jewson chain had been virtually maintained

Jewson's operating profit fell to 926 9m (936m) on sales of £419.7m (£464.9m). Sir Oscar said he expected repairs and home improvements to pick up quickly alongside

In forest products, the wholesale side saw profit fall to £10.9m (£13.7m) and the merchants contributed £6.5m were £293.2m (£301m).

Pont Meyer, in the Nether-lands, which like UBM was lands, which like UBM was acquired in 1988, fell sharply to £7.6m (£12.7m) on sales of £243.2m (£251m). The previous year had been a particularly good one and timber stock losses had accounted for £1.5m

Another inheritance from Norcros, the Cadel plumbers' merchants, had plummeted to a loss of £5.3m from a £1.1m profit. Turnover fell to £62.8m (£87.9m) as the old business of serving contractors was

COMMENT

As Meyer reached a profit peak of £87.2m in 1968-89, it embarked on expansion in UK merchanting and ahroad, starting with the Netherlands. Neither has provided much of a cushion against the down-turn in UK housing, although some disposals and prompt pruning of overheads have helped to limit the damage. The balance sheet has stayed strong enough to justify a maintained dividend. Now it's a case of guessing when the upturn will come. Cold comfort was offered by Sir Eric Pountain at Tarmac's annual Pountain at Tarmac's annual meeting yesterday. He warned that the trading climate had got worse. It looks as though the first results presented by Sir Oscar's successor, Mr Richard Jewson, will be a grim set of interims. However, the elimination of timber stock losses, and red drain at Cadel and a reduced drain at Cadel and the beginning of a recovery at Jewson should provide modest profit growth to £39m, giving a prospective p/e of 14.5 on yesterday's close of 421p. As the multiple falls to about 10 on a 1992-93 forecast, the price looks fair.

No pay rise for Bank of Scotland top executives

THE TOP executives of Bank of Scotland are taking no increase in salary this year. Mr Bruce Pattullo, who took over yesterday as governor of the bank, said the decision had been taken in order not to prejudice negotiations now being finalised on staff pay.

The issue emerged at the annual meeting, when a shareholder pointed to the 19.5 per cent rise in director's fees THE TOP executives of Bank a moderate settlement of the

cent rise in director's fees noted in the annual report against the 31 per cent fall in pre-tar profits, its first since 1963. Sir Thomas Risk, outgo-ing governor, said the increase in the fees of directors, all of whom are non-executive, referred to last year and no rise was proposed for this year. Mr Patitulo said the manage-

ment board of full-time executives was not taking an increase in order to encourage

All-round rise at Marston

A FIRM RISE in beer sales and a strong increase in the contri-bution from food sales at its catering houses supported a 6 per cent rise in pre-tax profits

latter part of the last financial year have not improved. Beer sales over the year grew by 5 per cent as a result of the group's emphasis on sales of its Pedigree and low through other hrewers and wholesale channels.

The group's tied trade busi-

ness, with 741 in its tenanted estate at the year end, was adversely affected by the recession and beer volume in this sector fell. Tavern Tables, the catering houses, increased its profits contribution by 85 per cent due to a rise in food sales of over 80 per cent. Earnings per share rose

nearly 10 per cent to 14.44p from a previous 18.16p. A recommended final dividend of 3.2p (2.91p) makes a total of 4.46p (4.02p).

National Grid beats forecast with £111.6m

NATIONAL GRID, the transmission company which is owned jointly by the English and Welsh regional electricity companies, yesterday exceeded its privatisation forecast with the announcement of current cost post-tax profits of £111.5m for the year to end.March for the year to end-March. The result compared with

ition prospectus last November.
But the company is paying out only the forecast amount of £104.5m in dividends to the companies which each own between 5.4 and 12.5 per cent of

Mr John Uttley, finance director, said this was seen as a "good, prudent starting point" for future dividends.

cost post-tax profits standing at £259.5m, against a forecast £241.4m, dividend cover was 2.48. "We have always seen 2.5 as a sensible cover ratio," he

At the pre-tax line, current cost profits were £237.8m, against a forecast £224.3m. In historic cost terms they were £385.7m, against £361.2m. Capital expenditure was \$84m higher than last year but £19m lower than forecast, due to lower spending on the non-transmission business.

Net interest charges were Turnover was £1.14bn. The company derives more than 80, per cent of income from charges to grid users.

DIVIDENDS ANNOUNCED

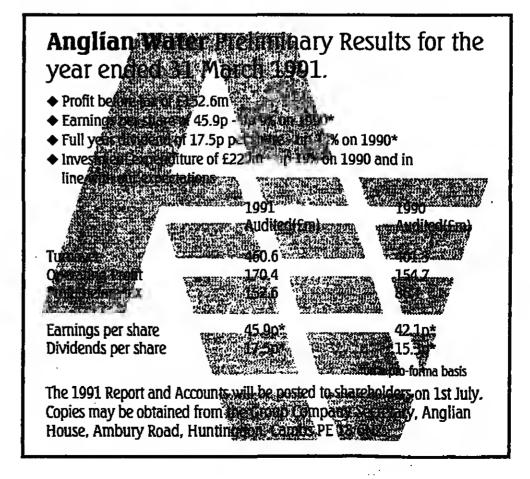
	Current payment	Date of payment	ponding dividend	tor year	last year
Airsprung §fin	3.7	July 31	3.18	6,33	5.5
Amersham lofffin		Aug 5	8.1	11.8	11.8
Inglian Water fin		. Oct 1	· 10.21	17.5	15.3‡
SSS Groupfin		July 25	11.5	17.25	17.25
Buradene Investsint	2 · .	Sept 2	3.	-	8.5
Casketfin		Oct 1	0.1	0.2	0.1
niifin	0.5	Oct 1	1.35	. 1	2.35
yllesint	0.3226	July 31	0.2933	-	1.0353
letenson & Firthint	1 :	July 26	' 1	-	3
ondon & Clydesint	1.8	July 23	1.8	-	7
Aerston Thompson_fin		Aug 17	2.91	4,46	4.02
deyer indfin		Sept 2	12.3	16.5	16.5
Aldlands Radioint		Aug 7	2.5	-	4.5
forthern Foodsfin		Aug 29	7.25	14.5	12.5
Osborne & Littlefin		July 24	3.8	4.35	5.8
Oxford Instrumefin		Oct 1	2.7	4.15	3.9
idelandfin		Aug 30	2.24	1	3.84
Somicfin			1.5	í.	2.5
Inited Drug &		June 28	1.75		5.75
/oeperfis	7.875	Aug 20 -		11.375	9.875

Anglian Water

Preliminary results for the year ended 31 March 1991.

"Having consolidated on a successful start, we are now in a strong position to achieve our investment, customer service and profitability objectives... the company is well placed to build on its strengths for the future benefit of shareholders, customers and employees."

Extract from the Report of the Chairman, Bernard Henderson CBE.



'Ovide"

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THE LOANS ON THE INTERNATIONAL STOCK EXCHANGE ARE EXPECTED TO COMMENCE ON TUESDAY, 11TH JUNE 1991.

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BANK OF ENGLAND LONDON

ANGLOVAAL GROUP

Declaration of Final Dividend - Year Ending 30 June 1991

Dividends have today been declared in the currency of the Republic of South Africa to holders of shares listed below. Salient dates related to these declarations are:

Last day to register for dividends and for changes of address or dividend instructions Period during which transfer books and registers of members

20 June Friday

will be closed (both days inclusive)

Saturday/Friday 29 June to 5 July

Currency conversion date for sterling payments to shareholders paid from London. Dividend warrants posted (on or about)

Name of Company (Ordinary shares union indicated otherwise)	Notes				Total For Financial Year Cents Per Share 1981 1980		Consolida Estimate 1981 R002		Amount Absorbed By Dividents 1991 1990 Roop Roop	
Angleweel Ltd. Reg. No. 05/04560/08 Ordinary N Oxfinery	3 and 4	91 3	62 62	62 62	92	85 85	285 600	238 200	54 900	39 600
Middle Witselmerand (Western Aress) Ltd. Reg. No. 05/04480/05	•	7 8	٠	٠	•	•	48 530	28 311	26 527	21 831

- The dividends are paid subject to conditions which can be inspected at the registered office or office of the London secretaries of the companies. These companies are incorporated in the Republic of South
- Consolidated profit figures are after taxation, outside shareholders' interests and preference dividends but before extraordinary items, and amount absorbed by dividends includes preference dividends. Certain comparatives have been restated to take into account changes in the company's capital structure
- 4. It has been annual practice to declare final dividends and publish preliminary final results for the financial year to 30 June at the beginning of June. Due to the expansion of the Group over the years, which has resulted in many more subsidieries to consolidate, it has become increasingly difficult to estimate the year-end results accurately this early. As a result, the preliminary results ahead of the financial year-end require a considerable degree of estimation and they are, therefore, published very conse sulting in increasing differences between the preliminary results and the final audited figures. In tuture, therefore, and in line with normal business practice, the final dividends will be declared and the annual results published only when the audited figures are available during September. For similar reasons, the interim dividends will be declared simultaneously with the publication of the half-yearly results during the first quarter of the calendar year,

By order of the boards

Anglovael Limited

per : E.G.D. Gordon

London Secretaries

Anglo-Transvael Trustees Limited

Registered Office

295 Regent Street London W1R 8ST

Angloyaal House 56 Main Street 2001 Johannesburg

This notice is issued in compliance with the Regulations of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). It does not constitute an invitation in any person to subscribe for or purchase any of the Convertible Cumulative Preference Shares.

FYFFES plc

(incorporated in Ireland under the Companies Acts, 1963 to 1977)

PROPOSED RIGHTS ISSUE

56,792,500 IR8.25p (NET) CONVERTIBLE CUMULATIVE PREFERENCE SHARES OF IR£1 EACH

at IR110p per share

underwritten by

DCC CORPORATE FINANCE LIMITED

Application has been made to the Committee of the Irish Unit of The Stock Exhange and to the Council of The Stock Exchange for the whole of the above-mentioned Convertible Cumulative Preference Shares to be admitted to the Official Lists in Dublin and London. It is expected that dealings in the Convertible Cumulative Preference Shares will commence on 5th July 1991.

Details of the above-mentioned shares are available in the Companies Fiche Service of The Stock

Copies of the Listing Particulars may be obtained during normal business hours on any weekday up to and including 14th June 1991 from the Companies Announcements Office, The Irish Stock Excha 28 Anglesea Street, Dublin 2 and from the Companies Announcements Office, The International Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD. Copies may also be obtained on any weekday (Saturdays and Bank Holidays excepted) up to and including 26th June 1991 from:

1 Beresford Street, Dublin 7.

Co. Dublin.

DCC Corporate Finance Limited, DCC House, and 103 Mount Street. Stillorgan, WIY SHE.

12th June 1991

SCI TECH SA. 2, boxlevard Royal L-2953 Lectention R.C. LUXEMBOURG B-20058

Notice is hereby given to the skurcholders, that the
ANNUAL GENERAL MEETING
of starcholders of SCI TECH S.A. will be held at the head office of Banque Laternationale
à Luxembourg. Societé Anonyme. 2. boulevard Royal, L-2931 Luxembourg, on Friday,
June 28, 1991 at 3:00 p.an. with the following agends:
1. Submission of the reports of the Board of Directors and of the Auditor;
2. Approval of the Statement of Net Assets and of the Statement of Operations as at
March 31, 1991;
3. Appropriation of set results;
4. Discharge of the Directors and of the Auditor with respect to their performance of duties
for the year ended March 31, 1991;
5. Election or redection of Directors;
6. Miscolimotus.
The shareholders are advised that no quorsen is required for the stems on the agends of the
Annual General Meeting and that decisions will be taken on a simple majority of the shares
present or represented at the meeting with no restriction.
In order to attend the meeting of June 28, 1991 the owners of beauer states will have to
deposit their shares FYE Cear days before the meeting as the registered office of the
Company or with one of the following banks:

-BANQUE INTERNATIONALE A LUXEMBGURG
1. Sout IUXEMBOURG

548 Heresgrackt NL - 1017 CG AMSTERDAM LOMBARD ODIER & CIE

The Board of Director

US\$ 500,000,000 ed Loan Participation Certificates due 2000 leaved by J P Morgan GmbH for the purpose of funding and maintaining authordinated loan to The Dai-Ichi Kangyo Bank, Limited

Notice is hereby given that the rate of interest applicable to payments under the esponding to payments of interest under the loan is, for the Interest Period from 11th June, 1991 to 11th September, 1991, 6,4375% per arnum, with a Coupon Amount of US\$4,112.85 per US\$ 250,000. Certificate,payable on 11th September, 1991.

Dal-Ichi Kangyo Bank (Luxembourg) S.A. Agent bank

CAL INVESTMENTS LIMITED

INVESTMENT MANAGEMENT IN FOREIGN EXCHANGE AND FINANCIAL FUTURES

CALL PAIR, GLEESON ON TEL: 071 799 2233 FAX: 071 799 1321

Correction Notice

PAN-HOLDING ___SOCIETE ANONYME ____LUXEMBOURG

In the Notice published in the Financial Times on 11.6.91 it was erroneously stated that Sir Ronald L. PRAIN, O.B.E., was a Director of PAN-HOLDING S.A. since 1981. He was in fact a Director since 1961

Notice to the Holless of EUROPEAN INVESTMENT BANK BURGPEAN LAS 200 SEEses
Planing Rain Notes
Planing Rain Notes
Describes 100 1995
Compon No. 8 dies from June 11, 1991 to
Doctriber 11, 1991 will to payalis startin December 11, 1991 at the nam of 11,50% SMLSES. per III. 10,000,000 Non TIL SASSES OF TIL 100,000,000 Nominal Jane 6, 1991 SANPAOLO-LARIANO BANK S.A.

Agent Bank

Burndene declines 33% to £1.47m

Taxable profits at Burndene Investments, which has inter-ests in caravans, hosiery and property, fell by 38 per cent, from £2.19m to £1.47m, for the six months to March 31. Earnings per share were educed to 9.84p (14.27p) and

the interim dividend is cut from 3p to 2p. Turnover amounted to £23.2m (£24.4m). to £335,000

Safeland, the property group, saw its taxable profits drop from £3.04m to £335,000 in the year ended March 31. Earnings fell from 11.40 to 1.1p and a cut in the final dividend to 0.3p (2.24p) is recommended for a 1p (3.84p) total. Turnover declined to £11.88m (£28.89m) with operating profits at £1.05m (£3.79m).

Lower revenue hits Midlands Radio

Lower advertising revenue, particularly national sales, left Midlands Radio, the indepen-dent radio operator, with pretax profits of 2307,000 in the six months to March 31, a fall of 69

per cent on £981,000. Thrnover was £4.62m (£5.23m). After tax of £104,000 (£343,000) earnings per share were 1.55p (4.86p). The interim dividend is cut to 1.5p (2.5p).

United Drug makes 6% improvement

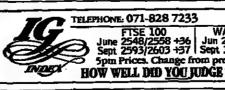
United Drug, the Irish Repub-lic-based pharmaceuticals, consumer products and medical equipment group, achieved a 6 per cent increase in pre-tax profit to I£1.23m (£1.11m) for the half year ended March 31. The previous figure was 121.15m.

Turnover of this USM-quoted company was ahead at 1230.15m (1228.53m) and earn-1630.15m (1628.53m) and earnare being offered at 17p each ings per share came ont at on the basis of 3-for-5.

APG seeking £7.4m from shareholders

In order to reduce gearing and to fund investment in profit-able environmental activities, Allied Partnership Group is raising £7.44m net through a conditional placing and open

Up to 45.9m ordinary shares



Period from 11th June, 1991 to 11th Sept rest amount payable on 11th September, 1997 will be US\$ 6.4375% per amura. The inter 16,451.39 per note. Agent bank



UK COMPANY NEWS

Refocused Amersham declines 31% to £16.5m

The state of the s

AMERSHAM International, which makes radioactive pack-ages for medical, industrial and research uses, saw pre-tax profit fall by 31 per cent in a year of change for the group.
It moved out of clinical diagnostics, including the expen sive-to-develop Amerite prod-uct, and made an important radiopharmaceuticals acquisition in the US.

Pre-tax profit fell from \$23.9m to \$16.5m in the year ended March 31 1991, but the previous year was flattered by a £5.7m exceptional surplus after the sale and leaseback of

the head office.

Turnover went up from £207.7m to £242.4m, affected by an overlap between the purchase of Medi-Physics in the US and the sale of the clinical diagnostics business. Mr Kirk Stephenson, finance

director, said that without those two distortions, sales grew by 9.5 per cent at constant exchange rates.

The biggest profit contribu-tor was life science products,

which supplies academic insti-tutions with isotopes. Turn-over inched ahead to £80.7m (£78.9m) but operating profit fell to £16.8m (£18.9m).
Mr Bill Castell, chief executive, said the economic slowwn in various countries had led to cuts in university spend-ing. Competition intensified prices were cut to main-

tain market position. In pharmacenticals products, for diagnostics and cancer therapy, turnover shot up to £57.6m (£31.8m) after a £22m



Bill Castell: prices cut as competition intensified

injection from Medi-Physics. But it also accounted for most of the division's £2.4m operat-ing loss (£2.5m profit). Sales of Ceretec, the brain imaging

Industrial products was hit by the UK government's unex-pected closure of reactors at Harwell. New isotope sources had to be found and price increases totalled more than £2m. Operating profit fell to £5.1m (£8.2m).

Clinical reagents, which covers the business sold to Kodak, greatly increased its profit con-tribution to £9.4m (£1.9m) after the tap was turned off on Amerite's development. This year royalty payments of at least 25m would help to plug the gap, Mr Castell said. Net debt rose to £41.2m (£26m), giving gearing of 34 per cent (24 per cent). The bulk of the money from the phased 584m sale to Kodak is due to come in next year. An extraor-dinary profit of flem was included in these figures.

Earnings per share fell to 18.2p (19p, or 33.1p including exceptional profit). A maintained final dividend of 8.1p makes an unchanged total of

O COMMENT Amersham's refocusing on its radioactive core has been wel-

comed and the continued reve nue stream from royalties will reduce the ground to be made up. Research and development, which used to cost £25m with Amerlite accounting for half, fell to £17m last year and will be lower again this time without impeding progress on some promising products. Yet the new management still has several niggling problems to solve. For instance, buying the Medi-Physics business was great strategy, but it needs turning round. The effects of disrupted isotope supply may also take some careful ironing out. With a more favourable currency wind and some growth in the core divisions, pre-tax profit is forecast to be £19m this year. giving a prospective p/e of about 17. This looks ahead to the Kodak payments harvest as well as business recovery in 1992-93, making it worth hold-

An interim dividend of 1.85p (1.75p) has been declared.

Osborne & Little, the wall coverings and home furnishings group, is cutting its final divi-dend for the year ended March

31 1991 as pre-tax profits were almost halved.

said the npturn expected in the second half did not materialise,

and the group finished the year with a profit of £892,000, against £1.73m. That included

exceptional costs of £80,000 as

compensation to a director for

loss of office. Earnings fell to 7.9p (15.18p) and the final dividend is 2.35p

for a total of 4.35p (5.8p).
Turnover rose to £18.57m

fell to 54 per cent (55 per cent) because of the higher element

of overseas sales and a change

Manufacturing side

Substantial growth in the man-

sinstantial growth in the man-nfacturing division helped Hawtin, the leisure group, to lift interim profit by 28 per cent, from £550,000 to £703,000.

In the six months to March 31 the division doubled its

Turnover improved 9 per cent to £12.48m (£11.47m).

Earnings per share worked through at 0.69p (0.55p).

London & Clydeside

London & Clydeside Holdings

the only quoted housebuilder operating exclusively in Scot-land, achieved an 11 per cent

increase in pre-tax profit for the six months ended March 81

- up from £772,000 to £855,000. Turnover was 3 per cent ahead at £8.65m (£8.4m), and

earnings per share increased from 5.4p to 6.1p.

The interim dividend is maintained at 1.8p.

lifted to £855,000

in the product mix.

boosts Hawtin

Sir Peter Osborne, chairman,

Osborne & Little

slides to £892,000

NEWS DIGEST

Reorganisation involved a

25.3m rights issue, the sale or closure of a number of busi-

nesses and the disposal of sur-

plus properties. Extraordinary charges were £5.91m (£2m).

Earnings per share came to 0.4p (losses 8.5p) and the dividend is doubled to 0.2p.

Tie Rack and leisure goods such as hicy-cles and toys — made trading profits of £2.93m (£1m for the calls for period). Discontinued activities household textiles and fab ric manufacture - cut their £3.1m losses to £799.000 (£1.94m).

TIE RACK, the specialist retailer, is to raise £3.1m net by a rights issue of 17.12m shares on a 1-for-2 basis at 22p each, compared with yesterday's closing price of 26p, down 2p. The proceeds will be used to strengthen its balance sheet.

The company also amounced the splitting of the chairman and chief executive posts. Mr Roy Bishko, becomes executive chairman and Mr Nigel McGinley chief execu-tive. Additional non-executive directors are to be appointed. Some shareholders have agreed to take up 28.3 per cent

of the issue with a further 47.4 per cent to which they were entitled being placed. The remainder has been underwrit-ten by Samuel Montagu.

Restructured Casket Safeland reduced achieves £212,000

The major corporate restructuring carried out by Casket is showing through in results, and for the year ended March 31 1991 the group made a pretax profit of £212,000, compared with a loss of £3.2m in the previous nine months. vious nine months.

Also, net bank debt levels fell from £17.38m to £7.99m, and will drop further in the current year as the full impact of working capital controls and the elimination of loss making businesses were felt, said Mr Joe Smith, chief executive. The continuing busines

making and importing clothing

Prices by electricity determined by the purposes of the electricity posting and sections of branchestals in England and Vision. Park survivas (1.27 to 10.27 to 10.27 to 10.24 to 10.25 t 16.14 (16.55)

pool prices processed prices of trading Pool Selling paid by purchasers of an apol trading arrangement than the pool trading arrangement to the pool trading trading to the pool trading trading to the pool trading t

AFBD MEMBER WALL STREET June 2548/2558 +36 Jun 2993/3005 +22 Sept 2593/2603 +37 Sept 3016/3028 +22 5pm Prices. Change from previous 9pm close HOW WELL DED YOU JUDGE THE MARKET?

US\$ 174,000,000 Secured Floating Rate Notes due 2000 visions of the Notes, notice is hereby given that for the inte

Oxford Instruments falls 18% to £12.8m despite MRI gains ?

By Michlyo Nakamoto

advanced instrumentation company, saw pre-tax profits before exceptionals fall 18 per cent from £15.53m to £12.78m due to recession in the West, disruption to the economies of the Soviet Union and Eastern Europe, and a strong pound.

The fall in profits for the year to March 31 came despite the strong turnround in its magnetic resonance imaging (MRI) business. Since forming a joint venture with Siemens, this has contributed £3.5m to group pre-tax profits as against substantial losses before. The reduced profit figure came on higher turnover of

£108.46m (£103.45m). It does not include an exceptional of £717,000 arising from the relocation of certain businesses. This compares with an excep-tional profit of £5.81m in the previous year from asset dis-posals at Oxford Magnet Technolgy.

Including exceptionals, pre-tax profits were down 39 per cent to £12.07m (£19.85m).

The effects of recession in the West were felt in the disappointing performance from the analytical systems division despite a near 10 per cent increase in demand for its products

products,
The semiconductor processing division, which manufactures the synchrotron, a semiconductor manufacturing equipment based on x-ray microlithography, suffered "a six-figure loss." Earnings per share before exceptionals were down to

17.8p (21.0p). Including excep-tionals, earnings were down to 16.8p (26.8p).

However, the final dividend is raised to 2.8p per share com-7.26p (6.85p) basic and 6.57p (6.24p) diluted.

OXFORD INSTRUMENTS, the increased total of 4.15p (3.9p). 17. The shares closed down 20p.;; O COMMENT The near 8 per cent fall on nothe day in Oxford's shares was. a clear sign of the disappoints in ment in the City at these or results from a group that has //

attracted some excitement. after the impressive turnround of at its MRI magnet business w Hopes had also been rising that me the group would go on to score another hit with the synchrotron, which enables semicon-inductor manufacturers to pack. more circuits on to micro than is possible with the cur-rently dominant system based on optical microlithography. ered to IBM, the group itself is a cautious about the immediates: prospects for the synchrotron The considerable investment ::: semiconductor manufacturers have already made in optical: printing methods means the switch to an x-ray based sys. ** tem is not going to bappen:
overnight. Having said that!
Oxford appears to have made:
some of the right moves as it. waits for things to turn more in its favour. It has taken steps to reduce costs and improve management efficiency and

increase R&D expenditure from £6.8m to £8.0m, not including customer funded R&D. It has a clearly stated b goal of building up its share of 's the important semiconductor' market in Japan, which is cur' rently at less than 10 per cent. "While forecast pre-tax profits." of £13m this year for a p/e ratio of 12.9 leaves the shares at 233p looking fair for now, the longer-term picture looks promist 1

BOARD MEETINGS Dara.
Finale- AAH, Cater Alten, Dally Mail & Gen.
Triest, Deelteraal Gold, Doorsteatels Gold, Driefontiels, Despir, Higmbros, Harrison Inde., Kembrey, Noor Gold, Libanon Gold, M & O Second Dust Trust, Manufield Brevery, For-her Chethors, Barel Editie, Revolution Format.

The Korea Equity Trust

Evidencing Certificates in respect of 1,000 Units in the Trust NOTICE IS HEREBY GIVEN to Unitholders that The Korea Equity Trust has declared a dividend in The Republic of Korea emounting to Won 239,000 per Certificate in respect of 1,000 units, payable on or after July 1, 1991. Payments of Coupon No 1 of the International Depositary Receipts, will be made on a file of the International Depositary Receipts, will be inade on or after July 1, 1991 against presentation of the Coupons to the Depositary or to one of the Depositary Agents fisted below:

International Depositary Receipts

DEPOSITARY netten Bank Lanes 5 Rue Pleotis Luxembourg Grund L2012 Luxembourg

DEPOSITIARY AGENTS The Chase Manhattan Bank, N.A.

Chase Plaza 34-35 Chung-dong Choong-ku, Seoul Republic of Korea London EC2P 2HD

mhattan Bank (Switz 63 Rue du Rhône CH-1204 Geneva

The amount of dollars payable in respect of Coupons presented to an Agent of the Depositary by the Close of Business on June 27, 1991 shall be the net proceeds of the sale of the amount of Won for US dollars at the preveiling telegraphic transfer selling rate of US dollars for Won as quoted by a foseign exchange bank in Korea on the day on which the relevant transfer is made. The dividend proceeds will be distributed to IDR helders in proportion to their respective entitlement and after the deduction of all taxes and fees, charges, duties and expenses of the Depositary.

charges, duties and expenses of the Depositary.

All Certificate holders are required to submit the name and address of a bank in New York and a US doller account number for payment, or an address for which payment should be sent by US doller cheque.

All holders residing in a country having a double taxation treaty with the Republic of Kones may obtain payment at a lower rate of the Korean non-resident withholding tax, on condition they furnish to either the Depositary or through one of the designated Depositary Agents, a certificate showing their residence, together with a copy of the Certificate of incorporation, or, for individuals, a copy of their passport. These documents are requested by the Korean National Tax Administration Office as evidence of residence.

evidence of resider Without such proof of residence, the full rate of 26.575 per Korean non-resident withholding tax will be retained. All documents should be submitted to the Depositary or a Depositary Agent by June 27, 1991.

Chase Menhattan Bank Luxembourg S.A. 88 Depositary

Slough Estates plc

Notice to holders of £150,000,000 6 per cent. Convertible Bonds 2003 ("the Bonds")

Further to the Notice given to the holders of the Bonds on 19th April, 1991 regarding a possible adjustment which may be required to be made to the conversion price at which the Bonds are convertible into Ordinary shares, Slough Estates is able to confirm that, in accordance with the terms of the Trust Deed, the conversion price has been adjusted from 324p to 318p. Such adjustment became effective on 6th June, 1991.

If holders exercised their conversion rights in relation to the Bonds prior to 6th June, 1991 and after 7th May, 1991, they will be entitled to be issued with additional Ordinary shares as if the adjustment to the conversion price had been made immediately after 7th May, 1991.

Dated 12th June, 1991



FUTURES AND FOREIGN EXCHANGE 24 HOUR COVERAGE

Windsor House 50 Victoria Street Loodon SWIH ONW -Tab 071-799 2233 - Fac: 071-799 1321

CAL Futures Ltd

UK COMPANY NEWS

Gulf war boosts prospects Institutional battle ahead for Tate & Lyle for Vosper Thorneycroft

ment

SENT

the Southsmpton-based war-ship designer and builder. reported a 19 per cent increase under construction for the in pre-tax profits to £14.28m in Royal Saudi Naval Forces were the year to March 31 progressing well, and produc-

However, the group warned that uncertainty over orders for minehunters for the Royal Navy and Saudi Arabia might require it to make modest reductions in its 2,000 strong workforce over the next few months unless new business

was obtained.

During the past year Vosper-shed 200 jobs, at an extraordinary cost of £1.48m, but said any further job cuts would be on a much smaller scale.

Turnover rose by 15 per cent to £140m and earnings rose by 23 per cent to £1.2p. A final dividend of 7.875p makes a total for the year of 11.875, an increase of 15 per cent.

Mr Peter Usher, chairman, said ship sales prospects had been enhanced by the perfor-mance of Vosper-built Hunt class minchanters in the Guil

war, which dealt with hundreds of mines.
The company was now building the Sandown class, which was entering Royal Navy ser-

VOSPER THORNEYCROFT, vice and promised to be even the Southempton-based war: more effective than the Hunt class. Sandown class ships progressing well, and produc-tivity continued to improve.

Five Sandown minehunters have been erdered by the Ministry of Defence, two of which are already in service, and the group has instructions to proceed with six for the Sandis.

The first Sandi the second has ally completed the second has been launched and the third

will be delivered in 1994. Dis-

cussions on funding for the

second batch of three for Saudi Arabia continue.

Mr Usher said that while oo decisions on naval procure-ment had yet been announced, it now seemed likely that an expected orders for up to seven Sandown minehunters would

be delayed, and perhaps

He was confident that changes in UK defence policy would bear less heavily on Vosper than most defence suppliers, not least because more than 62 per cent of its output was exported. Vosper had year-end cash

halances of £34m. Mr Martin Jay, managing director, said he was keen to make acquisitions in non-defence markets, which currently account for less than 10 per cent of group output, and prices of businesses were becoming more reasonable.

Vosper had a good Gulf war, and the experience of Kuwait has certainly done no harm to the market for minehunters. Along with every other defence supplier, the company's out-look is clouded by the uncertainty currently gripping the Ministry of Defence as it pon-ders the Options for Change review. But Vosper's strong exports and £400m order book means it is much better placed than many other defence contractors, a sector which the markat has been shunning. Forecast pre-tax profits of £16m and earnings of 34.5p put the shares, up 3p yesterday to 248p, on a prospectiva multiple of just over 7 - a 40 per cent discount to the market. That seems very reasonable, given the company's full order book, canny management and strong cash position.

Bad debts hit Lombard N Central

By David Barchard

BAD DEBTS pushed Lombard North Central, the finance hopse subsidiary of National Westminster Bank, into a pre-tax loss of £14m in the half year ending March 31 1991. Howaver a fight tax credit-meant that the group made a post tax profit of \$7.6m, down from £15.5m a year ago. Lombard North Central is the first of the large finance houses to announce its results. its latest figures suggest that

1991 is turning out to be an even more disastrous year for asset-based lenders than 1990. Though profits before bad debt charges rose by 21 per cent to £80.2m (£66.1m), the charges rose from \$42.2m at the same point in 1990 to

Bad debts hit almost every form of lending in which Lombard North Central is engaged, according to the company, and were not concen-

trated in a particular sector The magnitude and extent of the adverse effects of the deteriorating economic envi-ronment have been far worse than were ever contemplated." said Sir Hugh Cubitt, chair-

were generally lower than in 1990, but the group now has a balance sheet of around £8bn. Earnings per share fell from

Mark Westfield assesses the latest stage in the A\$325m bid for Bundaberg Sugar

A Lyle, the sweetener group, has cleared a group, has cleared a major hurdle in its A\$325m takeover bid for Bundaberg Sugar with the offer's clearance by the Australian govern-ment, it still faces considerable opposition from institutional

Shares in Bundaberg, the Queensland sugar miller and rum producer, jumped 40 cents to A\$4, which is 10 cents below the offer price, on thin volume following the news that Mr John Kerin, the newly-ap-pointed Australian Treasurer, had not stopped the takeover. had not stopped the takeover.

Take has so far secured just 2.5 per cent of its target's shares to add to the 2.8 per cent it bought before launching its bid 12 weeks ago.

Shareholders have been reluctant to grant the hostile bidder a free option over their stock by accepting the hid as

stock by accepting the hid as long as the 90 per cent acceping as the 50 per tent accep-tance condition remains in place. Highly conditional bids in Australia have a history of falling well short of target. Tate & Lyle and Mr Bill

Bestworth, its Australian adviser, will now try to persuade the institutions which hold a total of 51 per cent of Bundaberg, to accept. They will emphasise the likelihood of the stock price falling back to its pre-bid level of below \$3 if the offer fails.

Most of the institutions are expected to say no on the grounds that they believe the offer price is too low. Tate & Lyle said yesterday that more shareholders than was generally realised considered the \$4.10 offer to be rea-

Shareholders, particularly the influential institutions, will play a cat-and-mouse game over the coming fortnight with the suitor. Tate must decide by June 21 whether to renew its



Political hurdle overcome: John Kerin, left, the new Australian Treasurer and Neil Shaw, chairman and chief executive of Tate & Lyle

bid, which expires on June 28. Tate & Lyle has refused to sweeten its hid but then it also had denied it would increase its original bid of \$3.70. It revised its offer to \$4.10 on April 29 when it lodged its formal takeover documents with

the Bundaberg board.

The institutions believe Tate & Lyle may be persuaded to improve its offer still further, demonstrating that the battle for control now hinges on price. Most institutions have done their own numbers and believe the stock is worth more

than A\$4.10.
If sufficient numbers of shareholders hold on to their shares, then Tate will not be shares, then Take will not be able to attain its goal of clear control. In that case Tatewould be unlikely to demonstrate that its hid was serious by dropping the minimum 90 per cent acceptance condition.

Tate is not taking any risks.It is engaging a finelypitched strategy to avoid being

locked in to a minority holding of between 25 per cent and 30 per cent with little control over its investment, which it considgo to the limit under the for-eign investment rules of 14.9 per cent before bidding for Goodman Fielder Wattie, a ers to be the worst possible

By doing this, however, it is exposing itself to criticism that it is not serious in its ambitions on Bundaberg. Under Australian takeover

rules, Tate & Lyle would be able to go into the market to buy as much stock as it could in tandem with its takeover offer if it were to declare its bid

An aggressor can only buy up to 20 per cent of its target in the market if it keeps its bid conditional.

The superannuation funds holding the key to Bundaberg are aware that Tate bought only a token share parcel before launching its offer on March 19. In contrast Ranks Hovis McDougall, the food group, demonstrated its serious intent when it raided the

TO ALL CMB PACKAGING S.A. SHAREHOLDERS

share market in April 1989, to

Goodman Fielder Wattle, a rival food group Ranks withdrew its bid after Goodman dumped its 29 per cent cross shareholding into the laps of the formidable Sunningdale trio, Sir James Goldsmith, Mr Jacob Rothschild and Mr Kerry Packer.

While Tate is etirring no

While Tate is stirring np plenty of dust with its bidding factics, the institutional share

tactics, the institutional shareholders are making it clear
they will not deal at A\$A.10.
They are sending signals that
Tate will have to offer more if
it wishes to get at least 50 per
cent of the stock.

The UK group has denied it
will do this, but it has the
option of dipping into Bundaberg's \$9m in franking credits,
equivalent to 11 cents a share,
to offer a one-off tax-free dividend in the event of its windend in the event of its win-ning control. This would effectively lift the offer price to A\$4.21, without Tate having to break its undertaking not to increase the bid price.

One fund manager said yes-terday that an additional 11cent dividend might do it. Tate cleared the political hurdle after a wait of six weeks following advice from the For-eign Investment Review Board (FIRB) going to Mr Paul Keat-ing, theformer Treasurer, for consideration. The Treasurer has the discretion to accept or reject a recommendation from

The delay by Mr Keating came during the lengthy lead-up and then unsuccessful challenge be mounted last Monday for the leadership of the Labour Party.

It is understood the FIRB recommended that no objection be raised against the offer. The test applied by the FIRB is that any takeover proposal ehould not be against the national interest.

When Mr Kerin, the former Minister for Primary Industry, assumed the post last Monday, however, there were strong suggestions in Canberra that

he may block the bid. Queensland's 5,000 cane growers have vigoronsly opposed the takeover bid, claiming that a multinational sweetener group would not be committed to their industry.

Mr Kerin's accession to the post was followed immediately by wild swings in the bond, currency and share markets in Australia because of uncertainty over the direction of eco-nomic policy in the wake of the

Whether Mr Kerin had contemplated a change of direction or not, his decision to allow the Tate & Lyle bid to proceed was consistent with the laisser faire approach of

Drummond falls £0.4m in 49% advance for Airsprung

Airsprung Furniture Group which trades on the USM, announced a 49 per cent increase in taxable profits for

Furniture

Trust

next is

the year to March 31.

Mr. John Yates, the chairman, said the result, up from £2.5m, was schiësell at a time when interest rates were high and the furniture market as a whole had fallen by some 6 per cent in real

Earnings per share improved from 13.1p to 22.3p operating profits came through at £4.43m (£2.74m). interest charges advanced to 1997,000 (2374,000) but at the year end gearing had fallen to 34 per cent (44 per cent). The company has applied for

the red after exceptionals DRUMMOND GROUP fell into taxable losses of £379,000 in the

The result compared with profits of £1.01m. Mr Stefan Simmonds, chair-man, seld the charge resulted from a number of problems which were not expected to

The main ones were a fall in the value of raw material stocks and contracts following the abandoning of Australian

He added that the results although disappointing had been indicated at the interim stage. Directors are proposing to cut the final dividend to 0.5p 1.35p) for a total payment of

The shares rose 4p on the

day to close at 32p.
Turnover increased to £35.34m (£28.83m) helped by year to March 31 after an exceptional charge of £882,000. acquisitions, the benefits of which are expected to begin in

the present year. A tax charge of £419,000 (£354,000) primarily repre-sented unrecovered Advance Corporation Tax, which should be recoverable against tax in the future, said Mr Simmonds. Losses per share were 11.28p, compared with earnings of

Somic tumbles

Reduced pre-tax profits of \$50,113, against \$206,242, were announced by Somic, the Preston-based yarn and fabric maker, in the year to March 31. 6.13p to 1.59p and the dividend for the year is cut to 1p (2.5p).

R Packaging pays dividends in shares.

At the AGM of CMB Packaging S.A. it was decided to pay a final dividend of FF 3.6 for the year ending 31 December 1990.

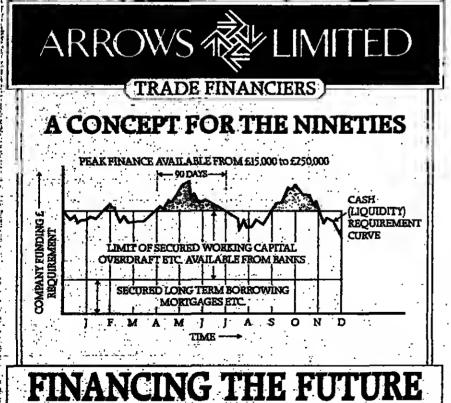
All shareholders of CMB Packaging have until 31 July to decide whether they wish to take their dividends in cash or in shares at a fixed price of FF123 per share.

Those wishing to reinvest their dividend in the company will be entitled to a number of new shares equal to their total dividend entitlement less French withholding tax (currently 25 per cent of the dividend) divided by the fixed share price of FF 123.

Further information, including information on taxation, is available from CMB Packaging's UK Transfer Agent, National Westminster Bank, Registrars Department, PO Box No 82, Caxton House, Redcliffe Way, Bristol BS99 7NH.



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COMMODITIES AND AGRICULTURE

Soviet aluminium flood forecast to reach 1m tonnes

By Kenneth Gooding, Mining Correspondent, in Brussels

THE FLOOD of aluminium exports from the Soviet Union to the West would reach about 1m tonnes this year, a huge increase fom the 300,000 tonnes exported in 1990, sald Mr Dag Flaa, vice chairman of the European Aluminium Association, yesterday.

The torrent of metal was

aiready having an impact on the London Metal Exchange prices because the Soviet Union had no direct customers and was selling to brokers who

used the exchange.

Mr Flaa, chief executive of
Hydro Aluminium of Norway. reached his conclusions during a recent fact-finding visit when he met senior members of the Sovlet industry and ministers. He said the Soviet central selling organisation had allocated 800,000 tonnes of aluminium for export and each smelter had been allowed to keep 10 per cent of production for sale on its own account. Most of this metal was also likely to find its way to the

If Mr Flaa's prediction was fulfilled it would mean that nearly one third of the Soviet Union's aluminium output would arrive in the west this year. The Soviet Union is the

By Philip Gawith in Johannesburg

ther symptom of the industry's

been reconsidered in the light of the persistently weak rand price of gold. The current price

is some 25 per cent lower in real terms than when the deci-

sion to proceed with the mine was taken. It said if existing trends continued the mine

would not generate a positive

ANTIMONY: European free

market 99.6 per cent, \$ per tonne, in warehouse, 1,600-1,650

market, min. 99.99 per cent, \$

per lb, tonne lots in warehouse,

CADMIUM: European free

market, min. 99.5 per cent. \$ per lb. in warebouse, 1.60-L75

(1.85-1.95). COBALT: European free

week's in brackets).

2.80-3.05 (2.70-3.00).

Gencor said the project had

worst ever crisis.

metal with an annual output of between 3m and 3.5m tonnes,

Mr Flas pointed out.
According to the European
Aluminium Association, western world production of aluminium last year was 14.2m tonnes, consumption was 14.6m tonnes. The gap was filled hy imports form the former communist countries, mainly the Soviet Union. Mr Jochen Schirner, chair-

man of the EAA, suggested that the Soviet flood was not as frightening as It might appear at first sight. Part of it would compensate for the end-ing of production and exports from other East European smelters. For example all of the former East Germany's alu-minium production — about 180,000 tonnes a year - had been halted permanently because the country's smelters had been such hig polluters. Mr Schirner said that short term problems, such as the extra imports of Soviet metal, meant that the European alu-

satisfactory".

He suggested that only a small minority of European smelters was currently operat-ing at a loss in spite of the

Gold mine development curtailed

ironically, the announce-

ment comes at a time when the

rand gold price, at levels of about R1,060 a troy ounce, is at its highest level in 16 months.

This is a combination of the recent strengthening of the

dollar gold price and, espe-cially, the weakening of the rand against the dollar. The dollar gold price - \$371.25 an

MINOR METALS PRICES

MERCURY: European free

market, min. 99.99 per cent. \$ per 76 lb flask, in warehouse,

free market, drummed molyb-

dic oxide, \$ per lb Mo, in ware-

house, 238-242 (242-246). SELENIUM: European free

market, min 99.5 per cent, \$ per

Ib, in warehouse, 4.80-5.40. TUNGSTEN ORE: European

free market, standard min. 65

Prices from Metal Bulletin (last in warehouse, 13.75-14.10 (14.00-

BISMUTH: European free MOLYBDENUM: European

market, 99.5 per cent, \$ per lb, per cent, \$ per tonne unit (10

minium industry was not quite as buoyant as at this time last year. But its position was "still

Primary aluminium in Europe

1985 1990 *1991torectet "Includes east Germany for line time Source : Date capacity levels last year but primary aluminium output in the region fell hy 0.5 per cent to 3.6m tonnes. That meant present relatively low prices -down from US\$1,800 a tonne at this time last year to \$1,200 in recent weeks.

Mr Flag said that the reac-tion of LME prices yesterday to Reynolds Metals' decision to close some production capacity in the US – the cash price rose \$86 to \$1,307 a tonne – implied that prices had been at the bottom. Any further fall would prompt more production cuts. In his "State of the European Aluminium Industry" presentation Mr Hansgeorg Seebauer, secretary general of the EAA, predicted growth in aluminium consumption in western Europe would slow this year after 2.5 per cent rise to 4.6m tonnes in 1990. A 1 per cent increase was forecast for 1991. When the former East Germany was included, however,

the rise was 4.5 per cent.

Western European smelters continued to work at close to

of about R2.84/\$1.

The rand gold price has risen by 17 per cent since it hit a

three-year low of R909 an ounce in February. In the

interim, Gencor has announced the closure of its Stilfontein

mine and Anglo American, the

country's largest mining house, has announced a cut in its exploration efforts in the

kg) WO₃, cif, 54-60 (same).

VANADIUM: European free market, min. 98 per cent, \$ a lb V₂O₅, cif, 2.25-2.35 (2.20-2.30).

URANIUM: Nu exco

exchange /value, \$ per lb, U3O8.

+825 to 407,575

-2,475 to 270,826 -625 to 75,675 -1,286 to 6,578 -1,050 to 118,675

Close Previous High/Low

627 616

660 644 690 683

623

Turnover: 6584 (5847) IGCO Indicator prices price for Jun 16 785.5 for Jun 11 795.88 (794

9.20 (9.30).

(As at Monday's close)

Potchefstroom gap area.

owned Italian producer, recently indicated that it might sbut a smelter and cut output sout a smeller and cut output in other ways and Alusuise was also making cuts at its German smelters.

Looking further ahead, the European aluminium industry is more competent than ever. Mr Seebauer said it now looked for marked for aluminium go grow at 2.5 to 3 per cent a year

imports costing \$1.3bn had been needed, he pointed out. Low prices might canse

some further reduction in

western European output this

year, perhaps by another 0.5 per cent. Alumix, the state-

because car makers intended to use much more of the metal. last year the industry was forecasting a growth rate of 2 to 2.5 per cent.

Oil price 'not manipulated'

ing times of crisis.
The GAO said that trading of Nymex cruda oil futures from July 30, 1990 through February 1991 "reflected actual changes

 Coastal Corporation, the US oil company, has received approval from the US government to purchase 2.5m barrels of crude oil from Iran. It marks the first import of Iranian oil into the US since the revolu-

By Barbara Durr in

complain that Irish-hased middlemen have been profiteering and not passing on the benefits of falling prices to cus-In recent years there has been a dramatic growth in sheep numbers in Ireland, mainly because of the encouragement given by the Euro-

WORLD COMMODITIES PRICES

99.7% purity (\$ per tonne)

1220-2 1252-3

Pace of Ghanaian cocoa reform slows

The World Bank wants more privatisation, writes William Keeling

T THE main road junc-A tions in Accra, hawkers haggle with occupants of cars over an astonishing array of goods. Eager hands thrust through open windows ltems such as cartons of yoghurt, cotton handkerchiefs, dog-chains, tapes of high-life music and, of course, chocolate. "Golden Tree. You want milk chocolate? Yes?" As the cars gather pace, so do negotiations over price with deals nor-

FOR THE RESIDENCE AND ADDRESS OF THE PROPERTY OF THE PROPERTY

mally concluded at a 20 mile per hour sprint.

Munching through a bar of Golden Tree does more than support the meagre income of the hawker. The cocoa from which the chocolate is made forms the backbone of the Ghaneian economy, accounting for 42 per cent of last year's for-eign exchange earnings. The economy, in its ninth year of a World Bank-assisted structural adjustment programme, has witnessed a modest recovery aided by improved output of the cocoa sector.

While production rose from a low of 159,000 tonnes in 1983-84 season to 300,000 tonnes 1988-89, it has fallen since and the 1990-91 crop is unlikely to exceed 260,000 tonnes. More importantly, the pace of reform within the sector, which is still controlled through the stateowned Ghana Cocoa Board (Cocobod), has slowed. While certain Cocobod functions such as the supply of fertiliser and insecticide have been privatised, it remains a costly and bloated institution.

The World Bank has been pushing to extend privatisation to include purchasing and mar-keting of cocoa but without success. Industry officials say that the government has been

By Kieran Cooke in Dublin

IRISH SHEEP farmers have called for urgent action follow-ing a steep drop in lamb prices

over the past four weeks. The Irish Farmers Associa-

tion says that lamb prices have dropped by nearly 40 per cent over the past month and that many thousands of Irish sheep producers now face financial

ruin as a result. The price fall is blamed on a giut of animals

coming on to the French mar-

ket, which demand has been inadequate to soak up. But some of the sheep farmers also

A fast-spreading mystery disease is attacking cocoa trees in Ghana's eastern region, a leading local grower says, reports Reuters from Accra.

Mr Thomas Somuah from North Birim district says the disease, which local farmers say is unlike the more common swellen shoot or black pod, initially infects leaves and later

He appealed to state cocca authorities to investigate the disease urgently to contain its apparently rapid spread. Chana is the world's third biggest cocca producer but the eastern region is a relatively minor growing area. of the state purchasing board has led to cocoa being used as speculativa instrument against currency devaluation, resulting in wild fluctuations in the price paid to farmers. As a result, Western diplomats report that the World Bank has

reduced its pressure for reform and is asking for a longer-term review of the sector.

The government's response has been to introduce a new and controversial marketing policy. Government officials have expressed concern at the changing practices of chocolate manufacturers in Europe, which are tending towards the bulk purchase of cocoa-liquor that can be delivered in tankers to their direct specifica-tions by European processors. This trend has affected the competitive nature of Ghana's three processing factories, the

operations of which, with a capacity of 40,000 tonnes a year, are already being subsidised to the tune of £3.4m a In 1989 an agreement was made between the government and Walter Schroeder of Germany for the latter to process under a tolling arrangement a trial consignment of 5,000 tonnes of cocoa. Under the agreement, the cocoa-liquor was to remain the property of the Cocobod and would be marketed at its discretion. Officials

pean Community's system of "headage payments", which are made to farmers for live-stock raised in disadvantaged

areas of the country. Some

sheep producers have called for an EC intervention scheme for lambs, which would pro-vide a market of last resort and prevent surplus production

depressing prices on the com-

Ireland already has a dispro-

portionate amount of its agri-cultural production in EC

intervention stockpiles. Out of the present EC "beef moun-tain" of some 700,000 tonnes,

about 250,000 tonnes originated in Ireland. Irisb butter also

accounts for about a third of

the total at present in BC inter-

vention stores, although the

country only produces about 5

per cent of total community

munity market.

output.

(Prices supplied by Amalgamated Metal Trading) High/Low AM Official Kerb close Open Interes

1339-40

1286-7 1317-6

1360/1292

of the government office responsible for cocoa, which is distinct from the Cocobod, judged the trial to be a success and declared that a total value added of £17-£52 per tonne of beans had been earned. These forces were disputed by Cocofigures were disputed by Coco-bod officials, who claimed that, with payment of costs to Schroeder, the agreement had resulted in a net loss.

ast year government officials decided to press ahead with the new pol-icy and, despite the alleged losses, signed a second pilot agreement with Schroeder to process 10,000 tonnes of beans without consulting the Cocobod board of directors. The directors were informed of the agreement at their monthly meeting last August and in September were asked to approve a long-term co-opera-tion project between Schroeder and Cocobod.

Since that time the Cocobod board has been reconstituted and its chairman, Mr K.G. Erbynn, who had expressed his surprise at the manner in which government officials signed contracts and formulated new policy without the knowledge of the board, has been replaced. And the Govern-ment has again accelerated its policy of contract processing with foreign companies. A three-year agreement to pro-

cess a minimum of 20,000 tonnes a year has already been signed with Schroeder and there have been discussions with a second German company and with companies in Britain, France, the Soviet Union and South Kores.

industry representatives say that government officials are keen, provided that they can find enough companies willing to agree to their requirements, to sign contracts with foreign processors for as much as 90,000 tonnes a year before the transfer from military to civilian rule, which is expected to occur next year. Proposed con-tracts are also likely to include options for the companies to take up the production of the domestic processors. This would result in only about half of Ghana's cocoa production being sold on the open market.

being sold on the open market.
Officials of international donor agencies, which are providing concessionary finance to assist in Ghana's economic recovery, support the drive to attain added value on cocka. Many have expressed surprise, however, at the haste with which contracts are being negotiated and concern at the possible open-ended nature of the costs that some processors may charge under toiling

But their major worry is that long term toiling agreements will be used to forestall further will be used to lorestall further reform of the Cocobod and that the foreign exchange earnings from Ghana's premier export will remain exclusively in the hands of government. While a new government may adopt a different policy, it appears that the most visible instance of private enterprise in Ghana's cocoa-industry will continue to be the hawkers selling their bars to the passing cars.

THE ANNOUNCEMENT cash flow in the foreseeable ounce in the London yesterday Chicago future. Heavy capital expendi-ture commitments on the plati-num side, and in bringing the - is at its highest sustained level for more than a year and deterred by the example of Nigeria, where the dissolution yesterday by the Gencor group, South Africa's second largest mining house that it was curthe rand has deteriorated by more than 11 per cent since December to its current level tailing development of the Wel-tevreden gold mine was a fur-Oryx mine to production, prob-Irish farmers call for ably also bad a bearing on

THE NEW York Mercantile Exchange is feeling vindicated after a report by the US Gen-eral Accounting Office said oil futures prices were not manipulated during the Gulf crisis.

The report is expected to

reassure those in Congress who suspected that speculators were artificially driving up the oil price in the lead up to the Gulf war.

Some legislators had called for curbs on oil trading and even closure of the market dur-

in supply and demand condi-tions". This was the same con-clusion reached by the Commodity Futures Trading Commission in an earlier investigation.

tion over 10 years ago and paves the way for other compa-nies to follow.

LONDON METAL EXCHANGE

Wool surplus 'to continue' By David Blackwell action on lamb price fall

THE IMBALANCE between world supply and demand for wool is set to continue, at least in the short term, according to the International Woo! Textile

Organisation. In spite of the suspension of in spine of the suspension of reserve price schemes in Aus-tralia, New Zealand and South Africa earlier this year, the huge level of stocks amassed under the schemes will over-hang the market, Mr Michael Godfrey, the organisation's secretary for statistics, told the 60th International Wool Conference in Lisbon yester-

day.
"It would take a 5 per cent growth in consumption contin-uously over a six-year period to stocks to 1991-92 output could absorb contracting new clip supplies and to reduce carry over stocks in producing countries to a more normal level of around 200,0000 tonnes clean." ha said.

World wool production is expected to fall by 4 per cent in try.

the 1991-92 season to 1.84m tonnes, after declining by 1.2 per cent to 1.92m tonnes in 1990-91. Consumption, which con-

to Lim tonnes, has started to recover. Between March and May this year the market "witnessed a remarkable turnround in the situation as buyers, in response to lower prices response to lower prices, moved back into the market to reful a practically empty pipe-line". China and the Soviet Union, whose absence was largely responsible for the col-lapse in prices, were among

the buyers. result in world supplies for the year of 2.58m tonnes, up 6 per cent on the 1990-91 record. Supplies are therefore likely to remain well above the expected requirements of the world wool textile manufacturing indus-

MARKET REPORT

Copper prices firmed on the LME yestarday against a hackground of concern over South American supplies. News that Chuquicameta copper workers had thraatened fresh alow-down action and talk that Peruvian minars could strike Indefinitely from naxt Monday prompted gains in the atternoon The trend was also aided by the continued widaning in tha premium for July metal. Cash matal closed only £1.50 a tonne below tha three-month price, compared with £8.50 on Monday. Three-month tin edged abova \$5,800 a tonne as the market shrugged off widespread talk of Malaysian banks aalling atocks hald since the 1985 tin criais. The **London Markets**

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Oubai Brant Bland (dated) Brent Wend (Jul) W.T.J. (1 pm est)	\$15.20-5.30 \$17.70-7.85 \$17.95-8.00 \$19.80-19.85	-0.10 275 -0.30 275
Oil products (NWE prompt delivery per to	onne CIF)	+ or -
Premium Gasoline Gas Oll Heavy Fuel Oll Naphthe Petraleum Argus Estimates	\$242-244 \$172-173 \$86-67 \$185-188	-3 -2 -1 -10
Other		+ 0.
Gold (per troy oz) 4 Silver (per troy oz) 4 Platinum (per troy oz) Pellatinum (per troy oz)	371.25 453.5c \$380.25 \$97.40	-1.75 -1.0 -4.00 -1.35
Aluminium (free market) Copper (US Producer) Leed (US Producer) Nickel (free market)	\$1290 103,40c 35c 378c	+65 -0.35 +1
Tiri (Kuela Lumpur merket) Tiri (New York) Zinc (US Prime Western)		-0.04 + 1
Cattle (live weight)† Sheep (doed weight)† Pigs (live weight)†	111.616 141.12p 85.34p	-1,49° -15,30 -2,82°
London daily sugar (raw) London daily sugar (white) Tate and Lyle export price		+1 +1.0
Berley (English feed) Maize (US No. 3 yellow) Wheel (US Dark Northern)	Unq. £183.00 £100	+0.25
Rubber Jul)♥ Rubber Aug)♥ Rubber KL ASS No 1 Jul	55.25p 55.75p 231.5m	+0.25 +0.25
Coconat of (Philippines)§ Palm Oil [Malaysian)§ Copra [Philippines)§ Soysbeans [US] Cotton "A" index Wholtops (84s Super)	\$345y \$302.5t \$225x £163.0 83.85c 375p	-5 -1.5

TLondon physical market, 4GF Roperdam, &

steady tona was aided by a 255 tonne fall in LME stocks and news that the ATPC had reported first quarter 1991 world stocks down 4,000 tonnes. Gold and silver aased on the London bullion markat as profit taking trimmed Monday's gains. Soma dealars aald scale-up forward selling by gold producers was already taking place but had been disguls the waves of good buying the wera a feature of Monday's market. Operators cited for mina sales as the most like factor to kerb gold's recent

Raw		en FOX	(S per to
	Close	Previous	High/Low
Aug Oct	194,00 161,50	194.00 182.00	194.00 182.00 182.00 180.00
Dec	182.60	191.00	185.00
Mar	150.00 183.80	161,60 185,40	101.50 179.50 184.00
May Aug	197,00	197.00	190.00
W?alte	Close	Previous	High/Low
Aug	295,0	295.0	296.0 292.5
Oct Dec	290.6 254.0	262.0 258.0	260.5 257.5 255.6 252.5
Mer	254.0	258.5	257.0 253.0
Aug Oct	263.0 250.0		265.0 262.0 252.0 249.5
		6 (760) kat	of 50 tonnes.
White 1	314 (257)		
	` _		Aug 1786, Oct
CRUDE	OL - 1		\$/6
	(_xtes		18.25 17.92
Jul Aug	18.10 18.48		18.58 18.30
Sep	18,79	18.75	18.56 18.65
Dat Nov	18.90 19,16		19.10 12.90 12.16
Dec	19.16	19.25	19.15
	X 18.23	18.56	
PE Inde			
PE Inde	r 18874	14505)	
PE Inde	L - IPE		
PE Inde	L - (PE Close	Previous	S/V
PE Inde	L - (FE Close 168,50	Previous	High/Low 170,50 165,75
PE Inde	L - (PE Close	Previous 172.00 170.25 172.25	High/Low 170.50 165.75 169.50 167.00 171.25 169.00
PE Inde	Close 168.50 167.75 189.50 172.00	Previous 172.00 170.25 172.25 174.50	High/Low 170,50 168,75 169,50 167,00 171,25 168,00 173,25 177,00
PE Inde	Close 168.50 167.75 169.50 172.00 174.75	Previous 172.00 170.25 172.25 174.50 177.25	High/Low 170,50 168,75 169,50 167,00 171,25 169,00 173,25 172,00 175,50 174,50
PE Inde Turnove Lun ful Aug Sep Det Vov Dec	Close 168.50 167.75 189.50 172.00	Previous 172.00 170.25 172.25 174.50 177.25 178.26 179.76	High/Low 170,50 168,75 169,50 167,00 171,25 168,00 173,25 172,00 175,50 174,50 177,70 175,75 178,75 177,00
PE Inde	Close 168.50 167.75 169.50 172.00 174.75 176.75 177.75 174.50	Previous 172.00 170.25 172.25 174.50 177.25 178.25 179.75 177.50	High/Low 170,50 168,75 169,50 167,00 171,25 188,00 173,25 172,00 176,50 174,50 177,75 177,70 178,75 177,70 175,25 174,50
PE Inde Turnove DAS OF Hun ful Lug Sep Det Sov Dec Jan Feb	Close 168.50 167.75 169.50 172.00 174.75 176.75 177.75 174.50 171.25	Previous 172.00 170.25 170.25 174.50 177.25 178.75 177.50 177.50 173.75	High/Low 170,50 168,75 169,50 167,00 171,25 168,00 173,25 172,00 175,50 174,50 177,70 175,75 178,75 177,00

teritari A				
ed by	CONTE	E ~ Low	dos PQX	១
hat		Close	Previous	High/Low
ward	Jul Sep	539 565	542 567	547 637 571 584
ly	Nov	587	589	595 586
rise.	Jan	607	609	616 616
130.	Mar	626	629	633 630
-	Turnow	r:3105 II	632) lots of	O tormes
on				ents per pour
	Jun 10	: Comp. o	tully 65.79	(65.81). 15 day
		32 (66.50)		
	POTAT	QE3 - L	opdon FO	K 5/
per tonne)		Close	Previous	High/Low
w				THEIDCOM
82.00	Sep	0.00	75.0	
80.00	Mar Apr	110.0 119.6	120.6 119.4	120.5 117.5
79.60	May	132.0	132.5	120.3 117.3
racqu	_			 _
	Turnovi	H 87 (228	l) lots of 40	ionnes.
	SOYAL	IEAL - I	endon FO	X E
2.5		Close	Previous	
7.5				High/Low
2.5	Dec	139.00	140.50	139.00
3.0 2.0	Feb	142.00		142.00
2.5 2.5	Tutnova	r 30 (25)	tots of 20	tonnes.
Office.	-	=	den FOX	\$10/Index
	- Marie			
, Oct 1582.		Close	Previous	High/Low
\$/barrel	Jun	1624 1470	1610	1630 1620 1475 1451
Low	Jul Oct	1575	1465 1584	1578 1585
17.92	Jan	1570	1001	1575 1570
18.30	8FI	1078	1684	
18.65	Turnove	r 222 10	11	
18,90			<u> </u>	
		S - Loue		
	Wheat	Close	Previous	High/Low
	Jun	131.75	133.35	132.00 131.50
\$/tonne	Nov	116.00	115.85	116.00 115.40
	Jan	119.70		119.75 119.20
95,75	Mar 3-	122.80		122.80
57.00	Barley	Close	Previous	High/Low
88,00				
72.00	Sep	f10.90 114.70	111.00 114.70	111.00 110.90 114.55 114.45
74,50 75,75	Jan	117.90	117.90	119,33 114,43
7.00	Mar	120.75	120.75	
74.50	Trumbaum		100 11100	
			190 jiio), i 100 jonnes.	Barley 28 (20).
Wes				
	PIGS -	London	FOX (C	sah Sattlement)
1, BTO		Close	Previous	High/Low
C \$460.	<u></u>	110.0		
	Sep Out	118,6 118,0		116.0
	Nov	119.0	117.0	116.0
1	Jan 1404	110.5	107.5	119.5 118.3 110.5 110.6
1	Feb	111.0		110.5 110.0
l			A loss of S	
	IUMOVE	F217 (1)) lots of 3,	250 kg

716 737	726 748	730 7	715 738		Copper, G	rade	A (C	per to	ипе		
756	767	767 7	'59		Cash 3 months		17-8 19-50		1323		1350/
776	785 6947) lobs	790 7			Leed (£ pe			_		<u> </u>	.000
ndicator p	6847) lots prices (SD)	Re per	tonne).	Daily	Cash	33	14.5		325-6		336.6
r Jun 16 11 795.88	795.54 (78 1794.39)	3.46) 10	day ave	ar ag e	3 months	_	1.5-6.7	5	330-1		340/3
E - Low				tonne	Cash	_	×5-45		6170-0	<u></u>	
Close	Previous	High		Wit 10	3 months		0-75		8210-		8225/
539	542	547 6			Tin (\$ per	_	_				
565	567	571 5	64		Cash 3 months		5-25 16-5		5715-3 5795-6		0170/s 5625/s
557 607	609	595 5 616 8			Zinc, Speci	_		rade			
636	629	633 6	30		Cash	108	2-4		1060-1	,	1073/
	ices (US o			n tor	3 months	_	9-9.5		1080-1		1100/
: Comp. o	String 65.79	(65.91).	15 day	SYON-	SPOT: 1.68		/3 18		3 mont	he: 1.6	(30
32 (66.50) QES - L	opdon FO	×	£A	tonne							
Close	Previous	High/	Low		LONDON						
00.0 110.0	75.0 120.6				(Prices su	_					
119.6	119.4	120.5	117.5		Gold (fine	_	<u> </u>	_		equiv	elent
132.0	132.5				Close Opening			1-371.1 1-372.2			
	lots of 40				Morning fi	× ;	372.7	5	2	23.931	
	endon PO			tonna	Afternoon Day's high	. :	373.20	-373.0	50	23,040	
Close	Previous	<u> </u>			Day's low	_		370.0			
139.00 142.00	140.50	139.0			Loco Ldn	Mee					
r 30 (25)	lots of 20	tonnes.			1 month 2 months 3 months		5.6 5.6 5.6	54	0 man 12 ma		5.4 5.3
1T – Lon	edon POX	\$	10/Index	point	Silver the		o/line			S cts	ncustv
Close	Previous				Spot	_	20.20			48,16	
1624 1470	1610 1465	1630 1475			3 months	- 1	276.60	1		54.95	
1575	1584	1578	1985		6 months 12 months		283.30 297.10			81.75 77.85	
1570 1078	1684	1575	1570		GOLD CO						
r 222 10	1				(Prices su		id by	Engel	hard B	letals)	
S - Lond	lou FOX		£n	Onne			\$ pt	ice		equiv	ralent.
Close	Previous	High/			Krugerran			00-373		223.00	
131.75	133.35	<u> </u>	0 131.50		Maple leaf New Sover	relgr		00-381 0-90.0		229.25 50.50-5	
116.00 119.70	115.65		115.40						_		
122.80		122.8	5 119 <i>.2</i> 0		TRADED		_		ulis	Ψ,	Tufs
Close	Previous	High/	l ow	—	Akeninkan Steller sein	_	_		_	ليرل	Sep
110.90	111,00		110.90		Strike pric	0.0	DAME.	121	\$ep	2	8
114.70	114.70		114.45		1300			43	74	23	33
117.90 120.75	117.90 120.75				1400		_	8	29	67	.87
r: Wheat	146 [115).	Barley	28 (20).	_	Copper (G	ada	<u>~</u>		elis .		Puts .
v lots of	100 tonnas	. ·			2100 2200			155 73	150 69	3 20	32 70
London	FOX (C	esh Sel	tiement)	b/¢g	2300			23	46	70	126
Close	Previous	High/I	LOW		Coffee	_		Jul	Sep	Jul	Sep
118,6		116.0			500	_	_	39	57	9	3
118.0 119.0	117.0	116.0 119.5	118 %		560			0	36	16	16
110.5	107.5	110.5	110.6		600			<u>•</u>	10	61	46
111.0		110.5		_	Cocca			<u>Jul</u> _	Sep	<u></u> _	Sep
r:217 (116	iots of 3	.250 kg			668 600			00 15	54	6	0
London	POX			_	650			ĩ	24	41	29
Close	Prev.	High	Law	Vol	Brent Crud	.	_	Aug	Sep	Aug	Sep
138.72 140.30	135.21 138.40 1	40.30	120.00	200	1850			_			
140.30		140.30 145.30	139.00 140.30	200 85	1900 1950			18		24	

opper, Gra								Total dai	y kumovi	r 20,058 lots
months 1	1347-8	1	1214-6 1823-4		1350/1331	1	330.5-1.6	4907		
monuna reg 2) bee	349-50				1353/1331		398-6.5	1353-3.		4 444 Inh
			205.0		336,6/334		35.540	1000 01	my withou	er 4,411 lots
months :	34-4.5 336.5-6.75		325-6 330-1		340/330.5	3	35.5-6.0 36.5-7.0	335-6		
ickel (S per						=		Total da	illy turnou	er 2,794 lots
ash (125-45 160-75	9	170-6	0	000000	Ö	110-5 140-50			
		_	210-5		8225/8140		140-20	8165-70		or 1 922 Jan
n (\$ per to	715-25	_	715-2		0170/5170		710.5	1001 00	my airnov	er 1,333 lots
	800-5	6	7715-2 7795-8	00	5825/5790	S	710-5 768-93	5610-5		
nc, Specia				onne)				Total de	ity turnov	or 8,596 lots
	082-4 088-4.5		060-3 060-1		1073/1072		072-3 091-2	4000 40		
			100-1		110071000		142	1098-10	-	
Clooking		3	monti	M: 1.64	30	6 1	nonthis: 1.	6271	6 m	ontha: 1.6160
		_								
CHIDON B				tko.		N.	SAA J	/ork		
			_	egutva	loot					
old (fine of		_		adutas						
lose pening	371.00-3 371.80-3									
lorning fix	372.75		2	23.931		GOLI	100 troy	az.; \$/bay (2	
itemoon for ay's high	373.20-3	373.60		23,040		_	Latest	Previous	High/Lo	w .
ay's low	370.20-	370.60				Jun	371.0	373.7	372.2	370.6
oce Lake M	east Gold	Lend	log R	ates (Y	= USS)	Aug	373.9 377.3	378.6 366.1	375,3 378,7	333.9 377.3
month	5.69		men		5.45	Dec	380.B	363.9	362,4	360.6
months	5.64 5.60	1	2 mo	H)6	5.39	Feb	385.6 385.0	387.4	385.5	384,5 388.0
ever the	p/line o		11	S cts e	custv	Apr Jun	382.0	394.6	382.0	332.6
	269.20			B.16	4317		-			
months	276.60		45	4.95						
months	283.30		46	31.75		===				
months	297.10		-44	7.85		PLATI	Close	roy oz. Stro		
OFD COM								Previous	High/Lo	
rices supp			_			Jun Jul	380,8 381.0	383.6 384.0	382.0	382.0 380.6
	\$ pric		_	equiv		Oct	385,7	386.5	387.0	384.7
rugerrand apie leaf	371.00)-372.0)-381.0		23.00-2 28.25-2		Jen Apr	389.8 393.8	392.B 395.9	396.0 -	389.0
arbie iest om Zovere			~ :	0.50-54	L00	Jul	397.8	400.8	400.0	400.0
			_							
AADED O										
umirium (i		Cal	_		Vis	SR V#	B & 000 **	Oy oz; cents	Útrov eo	
rike price			Şep	Jul _	Sep		Latest	Previous	High/Los	
100			147 74	2 23	5 33	Jun	448.5	454.5	463.0	447.0
100	8		29	67	87 .	إيرال	451.0	455.0	455.0	447.0
opper (Gra	de A)	Cel	ls.	P	uts.	Sep	458.5	461.8	481.0	452.0
00			150	3	32	Dec Jan	465.5 464.0	470.0 472.4	489.0 464.0	451.0 454.0
900	7	3	89	20	70	Mar	474.0	478.8	477.0	472.5
00	2		46	70	126	May	482.0 488.5	484.9	463.5	482.0
affee		ul :	Sep	Jul	Sep	JUI	400.0	491.0	488.5	498.5
			<u> </u>							
Ø O	3	-	57 36	g 16	3 16					
0	0		30 10	61	46	_				
			Sep	Jul	Sep	HIGH	GRADE C	OPPER 25,0	OC ibs; co	inte/lbe
8				6			Letest	Previous	High/Los	
o O	1	5 (54	0	0	-Jun	100.40	99.05	101.55	99.70
ō	ī	_ ;	24	41	29	فيدال	100,80	29.20	102.10	98,80
				4		Aug	99.50	98.10	100.30	98,40
and Curry	A	. פש	Sep	ΑUQ	5ep	8ep	99.00	97.70	100.10	98.30

									`
									\rightarrow
RŲO	E OIL (LI	sht) 42,000	US galls \$/	barrel	Ch	icag	0		
	Letost	Previous	High/Low	,					
ul	19.83	19.84	19.85	19.72	SUTA		000 bu min; e		
ep ep	79.94 20.13	19.96 20.15	20.07	19.86 20.08		Close	Previous	High/Low	
ď.	20.32	20.31	20.40	20.26	Jul Aug	573/2 576/6	57214 · 575/6	575/4 579/0	570/4 574/0
ov	20.45	20.41	20.52	20.38	500	578/4	578/2	590/0	576/0
ec en	20.45	20.45	20.55 20.48	20.42	Nov	586/2	554/2	568/0	583/2 594/0
вb	20.37	20.32	20.40	20.30	Jan Mar	507/0 506/4	594/5 805/D	506/4	594/Q 80-Q'5
er pr	20.30	20.27	20.32	20.27	May	616/4	615/0	617/0	612/2
		2,000 US ga			_ Jul	655/0	018/4	622/0	618/4
-	Latest	Previous	High/Low		SOYA		60,000 That o	ents/fib	
_						Close	Previous	High/Low	
ui ug	5275 5375	8256 5347	\$295 \$385	5260 5360	Jul	19,97	19.86	20.08	19.90
op	5530	5503	5545	5500	Aug	20,14 20,30	20.08	20.26	20.06
ct OY	5643 5765	5035 5755	5665 5775	5630 5745	Oct	20,46	20.43	20.60	20.40
90	5885	5555	5880	5845	Dec	20.83	20.80	20.98	20.79
	5900	5897	5015	5990	Jen Mer	20,97 21.30	20.97 21.28	21.15 21.30	20.97 21.30
eb Er	5825 5615	5606 5601	5625 5635	5790	May	21,57	21.65	0	0
pr	5420	5421	5450	5420	SOYA	BEAN ME	AL 100 tons;	\$/ton	~-
000	A 16 tonn	es;\$/lonner	,			Glose	Previous	Nigh/Low	
	Latest	Previous	High/Low		Jul	1724	172.6	173.0	170.9
, 	970	988	996	. 970	- Aug	173.4	173.6	174.2	171.9
θP	1007	1024	1028	1007	Sep	174,1 175,4	174.2 175.4	174.8	172.0
90	1050 1094	1065 1160	1068	1050	Dec	177.7	177.4	175.5 177.9	174.0 176.6
-y	1131	1135	1104 1138	1126	Jun	178.5	175.5	779.0	178.0
	1155	1163	0 .	0	Mar May	180.0 180.5	1180.5 180.5	180.5	179,5 180,5
BĐ_	1200	1191	0	6	_ <u>-</u> _				
OFF		,500fbg; cq			_ ==		tnin; conta/5		
	Latest	Previous	High/Low			Close	Previous	High/Low	
al la	85.55	85.56	86.25	85.43	Sec.	236/6 240/0	23\$/6 241/0	239/2 241/6	235/4
ac ab	87,70 90.90	87.50 91.05	88,40 91,50	87.85 90.85	Sep	241/6	242/4	243/6	241/0
	94.00	94.00	94.40	93.95	Mar	248/6	250/2	251/4	249/0
-y	95.90	96.00	96.40	95.10	May Jul	255/2 260/2	255/0 259/4	256/4	254/4
4	96.16	98.16	98.30	98.10	_ Sep	255/4	254/0	255/4	254/0
JUA		~11~ 112.0			Dec	254/4	253/0	254/4	25214
_	Closs	Previous	High/Low				min; cents/	OS-bushel	
d ct	8.79 8.00	8.88 8.14	8.82	8.79		Close	Provious	High/Low	
ar	8.11	E.20	8.25	5.09	Jul	29B/4	203/0	299/4	294/4 298/4
ay	8.19	8.31	6.30	8.25	Sep Dec	302/6 312/2	297/2 308/0	303/0 313/D	2984 -308/4
# CE	8.26 8.43	8.40 8.57	6	0	Mar	316/6	314/2	317/4	313/0
		cente/lbs	-	<u> </u>	May	309/4	309/0	310/4	30776
	Letest	Previous	High/Low				306/0	306/0	304/0
_			85.90		GVE		,000 lbs: cen		<u></u>
al Ct	85.80 79.46	86.95 79.16	79.88	85,10 79,11		Close	Previous	High/Low	
90	74.11	74.04	74.70	74.00	Jun Aug	74.1 <u>2</u> 72.70	74.1\$ 72.90	74.42	73.97 72.62
er Sy	74.95 75.38	74.86 75.33	75.40 75.55	74,94 75.35	Oct	75.00	75.17	73.17 75.87	74.80
7	75.70	75.55	76.00	75,80	Dec Feb	76.05	75.22	75.27	75,90
RAN	RE JUICE	15,000 lbs;	cents/lbs		- reo Apr	75.72 76.20	75.80 76.15	75.90 76.35	75.60 78.10
	Close	Previous	High/Low		- Jun	74.75	74.85	74.75	74,55
a a	118.50	115,75	117.25	115.65	- LIVE	IDGS 30,00	00 lb; cente/l	<u> </u>	
# 90		117.15	118.75	117,06		Close	Prendous	Highli,ow	 -
1 4	117.90	117.00	118.20	118,20	Jun	55,40		55.65	56,02
in Br	117.96 117,50	116,40 118,75	118.00 178.00	117.75 118.00	_ 74	54.47	56.72 54.92	55.05	54.87
ar .	117,00	(10)4		10.00	Aug	51.35	51.67	61.72	50.95
					Oct Dec	46.77	46.92	46.00	41.50
_	<u> </u>				Feb	47.07 46.87	47.15 46.82	47.25	46,70 · 48,80
EDK:	-E3				Apr	45.02	46,15	46.85 45.30	45.62
# 177	EBS (Bee	e: Septemb	er 15 1931	- 1007	Jun	49.05	49.05	0	0 :
	Jua 11	Jua 10	meth ago	yr ego	PORK	BELLES A	10,000 lbs; cl	ents/fb	
_	1741.6	1736.6	1711.6	1671.2		Close	Previous	HighFLow	
<u></u>					Jul	57.65			65.80
		esse: Dec. 8			Aug	54.85	57.17 54.25	58,00 54,80	53:30
	Jun 10	-kun 7	moth sgo	yr ago	Feb	55.70	56.55	56.70	.65.00
pot	131.30	131.60	125.40	131,56	Mar May	55.40 55.55	50.00 :	56.10·	55.A0 52.10
JUL PE	s 127.87	127.96	126.60	132.70	المال	55.80	55.85 55.80	0 .	65.60
_									

LONDON STOCK EXCHANGE

Market ignores Bank signal on rates

A WARNING from the Bank of Account Decling Dates DUK interest rates to fall for at least nine days failed to halt a astrong rise in UK equities yes-merday. A firm opening to the new session on Wall Street legave London further encouragement and the FTSE Index Vestined 30.7 points to close at 275,542.6, within three points of In addition to its optimism on

ortis all-time high. Adjustificantly, with the Seaq tially encouraged by a further stotal boosted by demand for dip in money market rates as Guinness shares by Moet Henrales rallied later equities stlessy Louis Vuitton (LVMH), drew strength from LVMH's O'The UK market was also chelped by firm performances.

Diespecially in Germany. signified around 20 points before tishe Bank signalled its wishes

Ampoint Days July 3, July 22 July 24 July 3, July 22 July 3 July 4 July "How done dealings may lobe place from \$.20 are top Systems, days earlier.

base rates, which had been iniforay into Guinness shares. Some UK institutions took the opportunity to lighten their Guinness holdings and to re-invest in other consumer stocks. The Bank's rates signal hurried activity by equity marappeared to be somewhat counter-productive, in that caught short of stock, it was a market strategists regarded it welcome development in a

ment of base rate cuts, and drew increased confidence from the equity market's evident resilience in the face of the Bank's move.

But the final boost to the stock market came from Wall Street which gained 22 Dow points in early trading to move to within four points of 3,000, its own testing level.

Yesterday's gain in the Foot-sie left it challenging, not only the existing all-time high, but also the top end of its latest trading range. Seaq-reported trading volume increased to 510.2m shares yesterday from the 373.1m of the previous trading session. Although part of the increased volume reflected

market so thinly-traded over counter-balance the day's focus recent weeks. There were further signs of

institutional support for the market, notably in the swift placing by Warburg Securities and Panmure Gordon of the remaining 3.9m shares in Argyll left over from a recent rights issue. Three institutions are believed to have offered to take up the entire offering, and in the event the share block was heavily over-subscribed and taken up within minutes.

The less positive side of the session came when Tarmac, one of the largest house-builders in the UK, delivered a strongly-worded warning on profits. Tarmac's statement at the group's annual meeting unsettled the building and con-struction sector which has been so badly hurt by high interest rates and served to

on the chances of another cut in base rates before the end of this month.

Wall Street-orientated stocks made a brave showing in London as the Dow Jones Industrial Average returned towards exception of ICI, still held back by the uncertainty surround-ing the intentions of the Hanson camp, there were wide spread gains among the international blue chips.

Glaxo rebounded again after its pause for profit-taking and BAT industries and BOC were in demand. The leading oil on the sidelines, moved higher in late dealings. Consumer response to expectations of lower interest rates than in the previous session.

Apr 1991

gious "County 30" list of best

buys, emphasising its growth potential. Kwik Save's inclu-

sion in the County 30 was at

the expense of BT which County said had outperformed the market by 13 per cent dur-ing the past three mouths and was beginning to meet resis-

Other market statistics.

including the FT-Actuaries

Traded Options, Page 25.

	FI	NAN	CIAL	TIME	S ST	OCK	INDIC	ES		
	June 11	June 10	June 7	June 6	June 5	Year Age	High	31 Low	Since Co High	mpitation Low
Government Secs	83,93	63.93	83.68	83.73	83.71	78.80	85.88 (19/2)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.94	92.96	93 52	93.42	93.39	87.61	94.84 (5/4)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1991.1	1964.4	1955 2	1974.1	1974.8	1901.0	2014.5 (5/4)	1606.3 (16/1)	2014.5 (5/4/91)	49.4 (26/6/40)
Gold Mines	209.1	201.7	195.4	182.4	181,2	184.5	209.1 (11/6)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2542.6	2511.9	2508.3	2525.3	2521.5	2370.7	2545.3 (5/4)	2054.8 (16/1)	2545.3 (5/4/91)	986.9 (23/7/84)
FT-SE Burotrack 200	1190.90	1184.49	1184.89	1188.91	1192.11	-	1192_11 (5/6)	938.62 [16/1]	1192.11 (5/6/91)	938.62 (16/1/91)
●Ord. Div. Yield ●Earning Yiel %(full) ●P/E Ratio(Net)(☆)	4.79 8.48 14.55	4.85 8.49 14,57	4.88 8.52 14.52	4.83 6.43 14.67	4.83 8.44 14.65	4.85 10.71 11.32	1/7/35, Gald	mines 12/9/5	0/25, Road let. 1 5. Bagis 1000 F1 /70/901. NO 13	-SE 100 31/12
SEAG Bergns 4.45pm Equity Turnover(£m)† Equity Bergains† Shares Traded (mi)†	26,992	24,546 691.12 24,006 362.4	24,127 914.38 22.736 341.4	24,546 802,54 24,157 362,1	24,842 906,11 24,698 352,1	25,394 901.90 24,741 360.0	GIL		ED AC	
Ordinary Share Index,	— —		Day's High	1 1991.1	Day's	Low 1968	Barg	edged alns	92.	8 92.4
		4.9 198	3.4 198					ay sver	age 89.	3 86.4
	am 11 28.4 253	9m 12 15.1 253	3.4 253 y's High 1	m 2 p 2.9 253	m 3 pr 1.0 2533	Low 2517 4 ph 2542 ow 1187.0 3 pm 1189.1	tExc busing Lon late	ness & d don ra st Sha	1974, ntra-marke Overseas sport and re indax 123001	turnover. d

armac armac under pressure

94 desiruction sector was shaken by a profits warming from Tar-finac. The shares having Is mac. The shares, having the spened on a steady note at 1235p, sustained by optimism 123bout the chances of another cut in interest rates, came minder pressure as the warning was quickly relayed to the

low of 225p but later steadied elped by the overall mood of optimism in the market, to close a net 2 off at 233p. Turnover reached 4.4m, well up on usual levels for the shares. Analysts were shocked by the starkness of the Tarmac

Onting

warning. Tarmac, said its chairman, would show a very severe profit shortfall in the first half of 1991 compared with that since April the company
had seen a further deterioration in the trading outlook. co Interim forecasts were cut. ding, with specialists looking for 2 an interim £25m and a full year a against £97m and £191m last

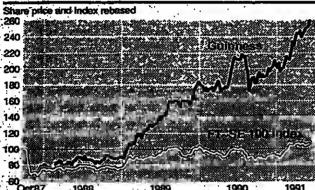
Blue chip losers

And Invergordon 2 better at 192. Three of the 15 fallers in the 25 FT.SE 100 index were ICI. Han Ratners, the UK's biggest Ratners, dropped 7 to 154p, following news that the company intends to raise up to \$100m from an issue of variable term US preference shares.

Burdening the share price were profits dewagrades by a second profit of the UK's biggest Ratners, the UK's bigge 79 Wellcome and ICI's drugs dividistion had become more remote. The tie-up had been suggested. by analysts as a means by which ICI could pre-empt a bid 2 from 28 per cent stakeholder

__ Investors were further encouraged to avoid the trium-virate by the fact that ICI and Wellcome have been the top two Footsie performers during the second quarter of the year. With less than three weeks of the quarter to go, fund manag-ers were keen to lock in prof-

in addition, Mr Jack Jones at JBS Phillips & Drew has issued a cautious note on Hanson. He argues that any bid moves for ICI would stimulate the antitakeover faction to seek out and publicise any weaknesses. In the Hanson camp. The pub-licity generated would probably not help the Hanson share



Guinness continued to attract buyers despite being the best performing FT-SE stock during the three and a half years since the crash of 1987. Yesterday French luxury goods group LVMH topped up its holding to its former level of 24 per cent—it had been diluted by a conversion of Guinness cumulative redeemable preference shares. Turnover rose to 45m as the price climbed 30 to 996p. At the close, marketmakers were offering £10 a share, tha level up to which LVMH said it was prepared to pay.

ICI slipped 3 to 1302p, Han-son eased 1½ to 221p, and Well-come edged 3 lower to 622p.

The arrival of almost £240m in the pockets of fund managers, in exchange for Guinness shares sold to LVMH, gave a boost to other companies involved in distilling.

Allied-Lyons climbed 14 to 565p and Grand Metropolitan rose 12 to 774p, Second line distillers also benefited, with High-land Distillers of Second 12 to 174p. land Distilleries 4 firmer at 262 and Invergordon 2 better at

Burdening the share price .

rent year's forecast from £125m from £130m to £112m.

Mr Nick Hawkins at Klein-wort said he reduced his estimate "because the gap between cosis (about 10 per cent per annum) and sales is widening and because the company is caught between an unpleasant squeeze on sales and the hike in VAT." He expected that the dividend will be held in spite of the cover shrinking to 1.5

a share. The group warned of a first half loss and said the roles of chairman and chief execu-

to £100m, while County Nat-West, Ratner's broker, moved

Tle Rack slipped 2 to 26p after unveiling a £3.1m rights issue of 17m new shares at 22p

Fine Art Developments were supported by BZW, whose stores team said the group "is were profits downgrades by a not yet discounting the pros-number of leading UK broking pect of a sharp acceleration in houses. The stores team at earnings growth in 19923 and Kleinwort Benson cut its cur-

potential of the tia-up with Otto Versand." The shares closed 5 up at 313p. Rumoured downgrades left Argos 6 easier

BTR firmed 11 to 410p as UBS Phillips & Drew put the stock back on its buy list after a meeting with the company. The broker said that profits seemed to be more resilieut than the annual meeting had

British Gas rose 5 to 255p on 5.7m shares after a presenta-tion to more than 50 institu-tions by the company at its stockbroker Hoare Govett. Directors on the main board of British Gas told the meeting that the company intends to implement real growth in dividends. The seminar offset a cautious document issued by County NatWest which said the growing importance of exploration and production earnings within Gas's income stream would constrain divi-

dend growth.

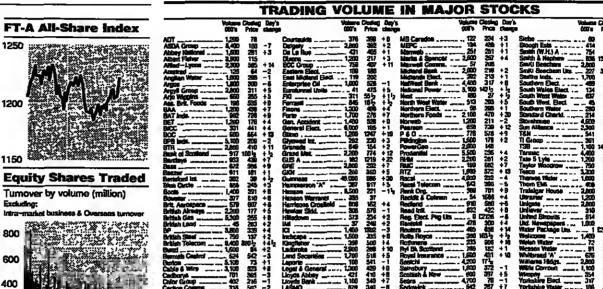
London International, which
publishes final results tomorrow, climbed 8 to 265p as Hoare note on the stock. The broker said that a surge in earnings next year sbould take the shares below an average price/ earnings ratio for the market.

A 31 per cent fall in full-year profits to £16.5m from Amersham International had been more than discounted by the market. The shares rose 9 to 344p. Pharmacentical whole-saler AAH climbed 8 to 354p ahead of finals today.

The market gave a rousing reception to Northern Foods' preliminary figures which showed profits above expecta-tions. Northern Foods shares jumped 20 to 470p.

The food retailers were among the market's poorest performers, slipping back after sure. Asda was the hardest hit, the shares still feeling the draught from the resignation of the chairman and chief executive as well as that of the chief executive of the stores division. These moves upset the market, which is preoccupied with worries that Asda may be considering a sizeable rights issue to ease its deht

Sainshury sbares were slightly easier at 372p, as were Tesco, 280p, on the back of ASDA but Argyll performed exceptionally well to close 5 higher at 311p after news taken up the rights issue was taken up as to 97.5 per cent. The rump, me 3.9m shares, was placed in the market at 298p share. Kwik Save advanced 11 to 620p after County NatWest added the stock to its presti-



EQUITY FUTURES AND OPTIONS TRADING

the derivates sector yesterday as professional traders and institutions struggled to come to terms with the chances of another early cut in UK base rates. Tension mounted early in the stock index futures market when a large discount house, reportedly Gerrard and National, bought heavily into the FT-SE June future con-

persistent buyer of the June equal the existing peak in the

It was and exciting session in contract while the contract traded at just below its 6 point fair value to the underlying casb Index; fair value estimates allow for the impending dividend flow and financing costs involved in the price of stock in the Footsie Index.

flow of stop-loss buying orders at around 2540 from investors with positions to cover. The contract moved higher to chal-The discount bouse was a lenge the 2550 which would

anderlying FT-SE Index but proved unable to advance beyond this point. Locals, or private traders in the futures market, also took a hand at this point as did marketmak-ers in the stock market who evidently been caught badly short of stock when the equity market turned higher.

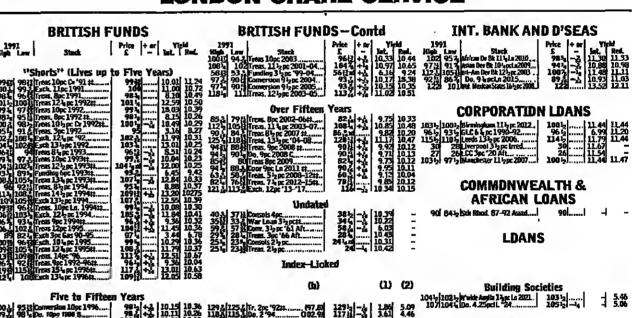
busier, recording 27,783 contracts against 16,880 on Monday, with the FT-SE option at 4,279 against 3,489.

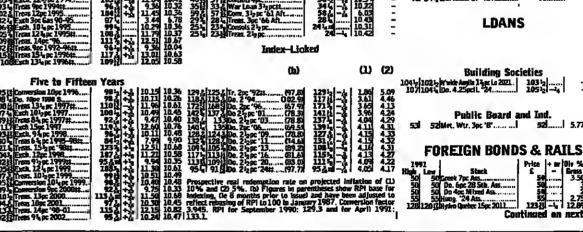
NEW HIGHS AND LOWS FOR 1991

burden. Asda shares lost 7 to

Five to Fifteen Years

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A Financial Times Group Company

-Managing director at TSB

group director (UK operations) at Legal & General, is to join TSB as managing director.

'insurance on July 1. He will
be responsible for the
management and development of TSB's life and pensions and unit trust businesses, based in Andover, and TSB's general insurance business in Newport

Mr Lewis Evans, 53, a form corporate finance director of Lloyds Merchant Bank, has been appointed managing director of GROBANK, the director of Ginobasta, the telephone and post office benking subsidiary of Alliance & Lelcester Building Society from July 1, unites David Barchard. He has also joined the Girobank board. Mr Evans replaces Mr John

Raden, 52, who is retiring but will remain a non-executive director on Girobank's board. Mr William Brown has been

relected chairman of SCOTTISH TELEVISION. He succeeds Sir Campbell Praser who has retired. Mr Brown, ITV's longest serving chief executive, was managing director of the company for 24 years.

PERSHING, the specialist securities clearing company and subsidiary of Donaldson Corporation, has promoted Mr. Trevor J. Jones to director and chief operating officer from his previous position of

HEADLAM GROUP has appointed Mr Alan Morris as a main board director.

■ Mr Cheong Lee has been appointed assistant financial controller and assistant company secretary to CAUSEWAY GROUP, independent development



At HIGGS AND HILL HOMES Mr R.W. Robinson (pictured) has become managing director. He was formerly Midlands regional director a

m Mr Robert Lawrence has joined WADLOW INTERNATIONAL as business development director.

STOVES, the domestic

appliance manfacturing company based in Presc Merseyside, has made Mr Guy Weaver its marketing operations director. Mr John Wilson has become general manager of the powered

APPOINTMENTS

■ Mr Richard Middleton has been appointed managing director of Aylesbury-based COMMUNICATIONS. He has worked for Granada for 17 years and moves from National Telebank, the TV rental

company, where he was director and general manager Mr Frank McDermott, Granada UK rental sales and operations director, takes on. the responsibility for National Telebank, in addition to the Granada and Visionhire shop

Mr Bryan Patterson, a director of an old-established family company of ironmongers in Bristol, has been made national president of the BRITISH HARDWARE FEDERATION.

Mr Fredrick Walters, a partner since 1973, has become senior partner at the firm of . URQUHART-DYKES AND LORD, patent agents.

Mr John J. Ruzich, an executive in the airline industry for 23 years, has been named president of named president of BRITISH-AMERICAN CHAMBER OF COMMERCE, a private transatlantic tiness organisation. Mr Ruzich, who joined Pan

American World Airways in 1988, is currently managing director of sales for the airline's US division. Mr Richard Price, chief

executive of Primetime/RPTA, the independent UK programme distributor, has been elected chairman of THE BRITISH ACADEMY OF FILM AND TELEVISION ARTS. He takes office at the end of June and succeeds Mr Kevin Billington, who remains on the Council as deputy chairman.

Senior posts at Reckitt & Colman

■ Mr M.F. Turrell is appointed group director, North America at RECKETT & COLMAN on October I in succession to Mr V.L.Sankey whose appointment as chief executive designate was announced recently. After extensive experience overseas during which time he held general management positions in Africa and South America, Mr Turrell was appointed to his present role as managing director of Colman's of Norwich in 1989.
Mr J.C.L. de Mel is

appointed group director, Asia and Australasia on October 1, succeeding Mr P.C. Knee who reaches retirement age. Mr de Mel joined the group in Srl Lanka in 1964 and became managing director there in 1971. In 1977 he was Asia. For the past three years he has been in Singapore.

LONDON SHARE SERVICE

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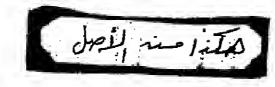
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36		FINANCIAL TIMES WEDNESDAY JUNE 12 1991. • Current Unit Trust prices are available on FT Cityline. Gaths charged at 45p per minute peak
	FT MANAGED FUNDS SERVICE	and 34p off peak, inc VAT. To obtain your free Unit Trust Gode Blocket ring (U/1) 923-2128
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FT MANAGED FUNDS SERVICE Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peal and 34p off peak, Inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128. Link Cap. Bid Offer to Yield Campa Price Price Price - Ses | Hill Sarrior Fried | Highs - Contd. | TSB Trust Funds (CD) | Std | 40.4 | 2.71 | Std | S US Pacific Stock Fond (a) NAV Stock Fond (b) Unithank SA, Frequenters I (a) Epaktra V2. Seil Plate 4 (1992) 122 22 22 144 (1646) 110 VPSCO MINA International (Jessey) 1.16 PO Box 27.1 23 Petro, Servy 634 7314 Jessey 634 7314 Jessey 634 7314 Jessey 634 7314 Jessey 635 7314 Jessey 635 7314 Jessey 636 7314 Jessey 636 7314 Jessey 637 74.441 Jessey 10.54 2734 Jessey 10.54 IRELAND (SIB RECOGNISED) THE PART OF THE PA | SWITZERLAND (SIB RECOCKISED) | Safe Pacific Growth Fund | Seminate Spart June 201 | 131 / 261 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 | 4.056 5-1029 1.092 6.00000 5-1029 1.092 6.0000 5-0.496 1.096 6.000 6.000 6.000 5-2.047 2.171 6.00 1.000 5-1053 2.071 6.000 5-1053 2.071 6.000 6-1053 1.000 6.000 6-1053 1.000 6.000 6-1054 1.000 6.000 6-1055 1.000 6.000 6-1055 1.000 6.000 6-1055 1.115 6.000 6-1050 1.000 6.000 6-1050 6.0000 6-1050 6.0000 6-1050 6 ISLE OF MAN (REGULATEDIE")

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Brown Shipley & Co Little Country Court, Lathbury, Landon I

CURRENCIES, MONEY AND CAPITAL MARKETS

Sep

Estimated volume 430 G781 Previous day's open 1st. 1468 G.4913

Estimated volume 14962 (10209) Previous day's open (st., 113204 (114221)

Estimated volume 14742 (6014) Previous day's open Nr. 33286 (3251.5)

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6 months US Dollars

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90.02 90.43 90.64 90.84

FOREIGN EXCHANGES

Recovery hopes lift US dollar

THE US DOLLAR moved cantiously higher yesterday on the belief that the American economy will soon stage a recovery and helped the mar-kets overcome fears of intervention by central banks. For much of the session the dollar traded in a narrow range, but later in the day it began to edge upwards and closed in London slightly higher on the

day. The US currency was lifted after President George Bush said be believed that a recov-ery was beginning. "If I can horrow a term from Wall Street, I am hullish oo the economy; not overly optimis-tic...but while some sectors are still sluggish, on the wbole a turnaround appears to he in

the making."

His remarks encouraged the dollar to post a late rally as dealers anticipated positive economic data later in the week. May producer prices are released tomorrow, and the market is waiting to see whether inflationary pressures have been contained. The most important figures

The most important figures of the week come on Friday when iodustrial production and capacity utilisation data are released. These will be closely studied to see whether President Bush's bopes for an incommendation of the comments of the economic recovery are justi-

lune	_	٦	_	Latest		Previous
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	STERLING INDEX										
_	_		June	Previous							
8.30 9.00 10 00 11 00 Noon	201 201 201		90.8 90.7 90.6 90.6 90.5	90.8 90.8 90.8 90.9 90.9							

1.00 pm 2.00 pm 3.00 pm 4.00 pm	6 004	90.8 90.8 90.9 90.8
CURRENCY		
Jen 11	Bank of England Index	Morgas ^{co} Guaranty Changes %
Serilog	90.6 67.6 106.5 108.2 109.9 107.7	-20.6 -10.9 +3.3 +10.9 -3.0 +2.7

Jes 11	Pank a rate	Special * Drawing Rights	Currency Unit
Sterling U.S Dollar Canadian S. Austrian Sch., Relsian Franc Downsh Kome Downsh Kome Downsh Kome Rallan Lira Japanese Yen Morizay Krone Spanetan Peseta Franc Frish Pant Lirish Pant Liris	69675 9575 1751 1869 1969 1969	0.792693 1.22142 1.51593 16.4715 48.0964 2.34116 2.63742 7.92918 1737.37 186.858 9.11383 144.730 8.39224 2.00063 N/A	0 69830 1.16093 1.44699 42.3073 7.91297 2.05636 2.31616 6.970837 1528.31 164.330 8.02496 127.258 127.258 127.258 0.768525

" All SOR rates are for Jun 10

Jgn 11	E	5
Argentina	16465.5 - 16491.5	
Australia	2 2010 - 2,2030	
Bragil	484.250 - 485.050	
Frotand	6.9515 - 6 9640	4.1790 - 4.182
Greece	318 150 · 324.500	190 520 - 194.3
Hong Kong	12 8530 - 12 8695	7.7250 - 7.729
Iran	119.10	68.00°
Korea(Sth)		
Kingle .	0.5105 · 0.5115	
Malaysia .	4.6190 - 4.6270	36.35 - 36.45
Merico .	5013.95 - 5018 65	27765 - 2778
S.Zealand	2.8865 - 2.8915	
Saudi Ar	6.2440 - 6.3015	17370 - 1740
Skogagore .	2.9620 . 2.9690	3.7490 · 3.750 1.7800 · 1.782
S.Ai (Cm)	4 7305 - 4,7420	1.7800 · 1.782 2.8470 · 2.848
SALEN	5 4620 - 5 5535	3.2785 - 3.333
Tanian .	45 40 - 45 50	27.15 - 27.20
UAE	6 1130 - 6.1715	36720 - 3674

MONEY MARKETS

However, any rally is likely to be tempered by the know-ledge that the central banks are poised to intervene if the dollar shows signs of moving strongly ahead.

strongly ahead.

The dollar closed higher yesterday at DM1.7725 from DM1.7700; at SF1.5135 from SFr1.5120; at FFr6.0150 from FFr5.9925. The dollar's index closed down 0.1 point at 67.6. Concern that the Japanese

economy may not be slowing down as quickly as feared led to a firming in short-term interest rates and bolstered the yen. The Bank of Japan's quaryen. The Bank of Japan's quar-terly bulletin reported the economy was still strong, a message which was backed by Mr Ryutaro Hashimoto, the Finance Minister. The dollar slipped back to Y141.10 from Y141.90; sterling fell to Y224.50 from Y236.95; and the Deut-schemark dropped to Y79.55-65 from Y80.15-20. Speculation that the Bundes-

Speculation that the Bundes-

bank may respond to the rise in the dollar by tightening monetary policy at its council meeting tomorrow boosted the D-Mark. However, most analysts believe the Bundesbank will leave rates unchanged and opt instead for intervention in the currency markets to slow

the currency markets to slow the dollar's advance. Furthermore, the D-Mark'a recent strength against Euro-pean currencies lessens the need for any immediate change to German monetary policy. Sterling fell back on specula-tion about an early cut in interest rates. But the signal from the Bank of England to the money markets that it does want an immediate reduction in rates lifted sterling.

The pound closed lower at DM2.9450 from DM2.9550; at \$1.6620 from \$1.6700; at SFr2.5150 from SFr2.5350; and at FFr9.9975 from FFr10.0075. Sterling's index finished down

ENS E	UROPE	AN CURI	RENCY &	JNIT RA	TES
	Ecu Central Rates	Currency Amounts Against Eco July 11	% Change from Central Rate	% Spread se Weakest Currency	Olvergesce Indicator
Spanish Peseta Italian Lira Italian Lira Italian Lira Italian Europe France Italian Europe France Italian Europe Italian Europe	133 631 1536 24 42 4032 2 34643 2 05586 0 767417 0 696904 7.84195 6 89509	127 258 1528 37 42.3073 2.31576 2.05636 0.768525 0.648306 7.91293 6.97083	-4.77 -0.64 -0.23 0 01 8.82 0.14 0.20 0.91	6.16 1.75 1.33 1.08 1.07 0.95 0.90 0.19	83 39 7 8 0 5 4 4

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Canada 1. Netherlands 3. Belgium 6 Denngari 11 reland 12 Germany 22 Portugal 25	6010 - 1.6705 3015 - 1.9150 3125 - 3.3250 0.40 - 60.75 3975 - 11.3475 1000 - 1.1035	1.6615 - 1.6625 1.9050 - 1.9060 3.3150 - 3.3250 60.50 - 60.60 21.3250 - 11.3350 1.1015 - 1.1025	0.77-0.75cpm 0.43-0.40cpm 1 ₂ -1 ₃ cpm 13-9cpm	5 49 2.61 2.26 2.18	2.00-1.97pm 0.79-0.73pm 14-13pm	4.2 1.6 1.9
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Jun 11	Day's spread	Chose	One month	82	Three months	%. 54.	
UK1	16610 - 16705	16615 - 16625	0.77-0.75com	5.49	2.00-1.97om	4.78	
relandt	1.5080 - 1.5165	1.5300 - 1.5110	0.54-0.49cdls	-4.09	142-1326k	-3.6	
Carada	11445 - 11475	11450 - 1.1460	0.25-0.2Bcom	2.78	0.70-0.75041	2.5	
Netherlands.	2.9865 - 2.0000	1.9965 - 1.9975	0.51-0.54offs	-315	1.42-1.46dis	-28	
Belglam	36.25 - 36.55	36.35 - 36.45	8.00-10.00cds	-2.97	23.00-29.00db	-28	
Denmark	6.7750 - 6.8275	6.8150 - 6.8200	1,80-2,10predis	-3.43	5.10-5.70ds	-3.1	
Germany	1.7630 - 1.7760	1.7720 - 1.7730	0,42-0.44pfdb	-2.91	1.24-1.26ds	-28	
Portugal	156.20 - 156.70	156.40 - 156.50	60-90ds	-6.52	225-255dis	-6.1	
Scala	109.05 - 109.80	109.45 - 109.55	55-57alb	-6.14	153-161db	-5.7	
Italy	1308 75 - 1319.25	1317.75 - 1318.25	5.80-6.20 (reds)	-5.46	16.00-17.00 lk	-5.0	
Norway	6.8780 · 6.9250	6.9125 - 6.9175	2,20-2,50 oredis	-4.08	6.35-6.85ds	-3.8	
France	5 9750 - 6.0175	6.0125 - 6.0175	1.87·1.92mlk	-3.78	5 04-5.146E	-53	
Sweden	6.3345 - 6.3825	6.3625 - 6.3675	2 10-2.35 ored ls	-4.19	6.50-7.00ds	-4.2	
Japan	140 80 - 141 60	141.05 - 141.15	0.22-0.24yds	-1.96	0.56-0.59ds	-1.6	
	12,4125 - 12,4900	12.4950 - 12.4900	2.90-3.30 grades	-2.98	8,70-9 90db	-29	
Switzerland	1.5060 - 1.5175	1.5130 - 1.5140	0.27-0.30odK	-2.26	0.78-0.73dis	-18	
Ea	1.1580 - 1.1660	1.1610 - 1.1620	0.42-0.40cmm	4.24	1.12-1.06em	3.7	

<i>J</i> ar 11	Short, tem	7 Days entice	Qne Mgntji	Three Months	Só. Manths	One Year
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Jen.11	2	5	DW				H FL		_	B Fr.	ECO
£	ī	1.662	2.945	234.5	9.997	2.515	3,320	2189	1,905	60.55	1433
Š	0.602						1.998				
DM	0.340	0.564	1	79.63	3.395	0.854	1.127	743.3	0.647	20.56	0.487
YEK	4.264	7.087	12.56	1000.	42.63	10.72	14.16	9335	8.124	258.2	6.111

Jen.11	£	S	DM	Yes	F Fr.	S Ft.	H FL	Ura	æ	8 Fr.	ECU
	1	1.662	2.945	234.5	9,997	2.515	3.320	2189	1,905	60.55	1433
S	0.602	1	1.772	141.1	6.015	1.513	1.998	1317	1.146	36.43	0.862
DM	0.340	0.564	1	79.63	3.395	0.854	1.127	743.3	0.647	20.56	0.487
YEN	4.264	7.087	12.56	1000.	42.63	10.72	14.16	9335	8.124	258.2	6.111
FFr.	1,000	1.662	2,946	234,6	10.	2.516	3.321	2190	1.906	60.57	1.433
SFr.	0.398	0.661	1.171	93.24	3.975	1	1_320	870.4	0.757	24,08	0.570
KFI.	0.301	0.501	0.887	70.63	3.011	0.758	1	659.3	0.574	18.24	0.432
Lira	0.457	0.759	1.345	107.1	4.567	1.149	1.517	1000.	0.870	27.66	0.655
CS	0.525	0.872	1.546	123.1	5.248	1.320	1.743	1149	1	31.78	0.752
BFr.	1.652	2.745	4.864	387.3	16.51	4.154	5.483	3615	3,146	100 .	2,367
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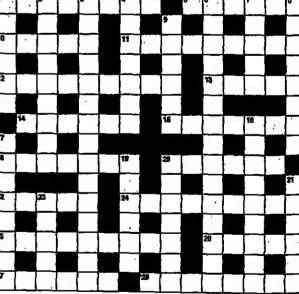
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of singer (6,9)

4 A noble sovereign
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ACROSS

1 Certainly British Telecom accepted owing money (8)

6 Fuss the Socialist loved (6)

10 Encounter, when batting, a surly fellow (5)

11 Greedy air a US cop could reveal (9)

12 One warlike pit leader admitted being fair (9)

13 Alloy tin-opener stuck in food (5)

food (5)
14 Face smacker? (6)
15 Prominent foreigner seen in street (7)
18 Monitor caught student out-

side, drunk or not! (7) 20 Join firm taught by the French (6) 22 Excuse to bail out Irish leader? (5)
24 Lack of knowledge of region

can spread (9)
25 The Duke and Her Majesty flirt! (9)

26 Knows, when speaking, one's into sound (5) 27 Lines father's written about nymphs (6)
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THE BANK of England was forced for the second time in less than a week to resist pressure yesterday in the money markets for an early cut in

interest rates.
Despite a warning in its open market operations last Friday that it did not want an immediate change in rates, pressure has built up this week for a ½ point rate cut to 11 per cent.

The speculation had begun to undermine sterling and weaken its standing in the Exchange Park Metherical

Exchange Rate Mechanism. The Bank's response was to UK clearing bank base leading rate

11.5 per cen trem May 24, 1991

tell the markets it would only meet their liquidity needs by lending at 11% per cent for the next nine days.

The Bank's signal had an

immediate effect on short-term rates. The key three-month inter bank rate moved back up to 1114 per cent from an early low of 11% and a previous close of 11%. But with money rates still below 11% per cent, the market is indicating that a cut has merely been delayed. possibly until the end of next

interest rate futures also suffered sethacks hut shared the cash market's belief that rates could still be cut by 1/2

Rate hopes dashed point by the end of the month. June short sterling closed 10 points lower at 88.81,

indicating an interest rate of 11.2 per cent.
The futures market is also

still anticipating further cuts in rates later in the year. The September sbort sterling contract was yesterday implying rates of 10% per cent by the autumn.

The market's £850m liquidity

need was met in full hy the Bank, which bought £300m of Treasury hills and £530m lent for 9 days at 11½ per cent.
The Bank's lending to the discount houses is likely to leave the market short for the rest of this week, money

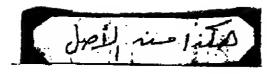
dealers said.
In Frankfurt call money rates were unchanged at 8.75-8.85 per cent although there were signs of neward pressures creeping into the

market as June tax payments beging to drain liquidity. Help for the market is likely come from the Bundesbank's regular securities repurchase tender today. Yesterday the Bundesbank set a 28-day repo pact at variable bid rates to replace an existing DM22.1bn

In New York the Federal Reserve added more liquidity than expected to the US money markets by way of \$2.5bn of customer repurchase agreements in order to dampen upward rate pressure.

CUIS IN EUROPEAN INTEREST RATES? MONEY RATES BULLISH US STOCKMARKET WEAR DM, YEN, POUND **NEW YORK** Treasury Bills and Bonds One Month Jane 11 8,80 & 95 94-95 9.80 9.25 10-104 LONDON MONEY RATES Jun 11 (Sue 战 114 10% 10% 10% 10% 103 103 114 щ 11% 101 115 1012 11 1014 1014 10 ¥ 6.10 713 7.3 104 10 6.37 74 74 919 919 6.92

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FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER		VANCIAL TIMES SPI 5 MOSINETS NEWSPARE

Dow rebounds after five days on downtrend

Wall Street

AFTER five consecutive days of declines, share prices bounced back yesterday morn-ing as investors returned to the market in search of bar-gain bnys, writes Patrick Harverson in New York.
By 1 pm the Dow Jones
Industrial Average was up
14.98 at 2,990.38. The other
major indices were also nota-

bly firmer, with the broader-based Standard & Poor's 500 up 2.29 at 380.86 at 1 pm, and the Nasdaq composite of over-the-counter stocks up 1.78 at 497.63. Turnover on the New York SE was 10im shares at 1 pm. Risers outpaced decliners by 793 to 584.

Dealers said there were no specific reasons for the rise in share prices. Investors who have stayed away from the market for most of this month because of lower bond prices and fears that the market was overbought, may have decided the time was right to buy equities again. They may have also bought stocks yesterday in anticipation of good economic news later this week, with inflation, retail sales and production data due ont tomorrow

One of the features of the day was Apple Computer, which dropped \$1½ to \$44½ in turnover in excess of 1m shares. The stock went against the trend hecause of a downgrading from Montgomery Securities. The broker lowered its 1992 earnings estimate and its rating on the stock, citing concern about an inventory huild up, the effects of unfavourable exchange rate move-ments on income, and fears that business may not recover

for another two quarters.
Other secondary computer stocks fared much better, with Microsoft rising \$1% to \$112% and Intel putting on \$% at \$51%. Microsoft was helped by the news that the company has introduced MS-DOS 5, an updated version of its operating system software for personal computers.

Xoma, the drugs group, recovered strongly from Mon-

day's sharp decline, rising \$% to \$27% on turnover of 1.8m shares. The stock had been sold on Monday hecause of fears about the outcome of a Food and Drug Administration (FDA) adivsory committee review of its XomaZyme CD5 Plus drug. The FDA commit-tee, however, eventually gave a favourable recommendation to the product, used in the treat-ment of diseases related to

bone marrow transplants.
On the Big Board, Procter & Gamble rose \$1 % to \$83 % amid reports that the group may be considering selling its food and beverage husinesses. The news that Live Entertainment is considering a link-up with its majority owner, Carolco Pic-tures, continued to hoost the video distributor, whose shares rose another \$% to \$12%. Carolco moved the other way, slip-

ping \$% to \$7%.
Tosco, the petroleum refiner
and producer, fell \$1% to \$22
after an analyst at Shearson
Lehman cut his second and third quarter 1991 earnings estimates. The analyst said he was concerned with the weakening of wholesale petroi prices on the West coast and its impact on Tosco's income.

TORONTO was mixed at mid-day as cash calls mounted. The composite index rose 2.8 to 3,471.9 in volume of 18.7m shares. The Royal Bank of Canada rose C\$% to C\$25% after news that it will issue C\$300m of non-cumulative first preferred shares and C\$250m of fixed rate debentures. The forest products manufacturer, MacMillan Bloedel, eased C\$1 to C\$21% after it said it will C\$31 to raise C\$151.2m.

SOUTH AFRICA

GOLD shares gave up early gains to profit-taking as hullion prices stabilised. The all-gold index rose to 1,440 before ending steady at 1,418 while the industrial index fell 2 to 3,582. The all-share index rose 3,682. The all-share index rose 12 to 3,261.

Change in rules propels Brazil back into top slot

Victoria Griffith on foreign investors' likely impact

Some traders believe that

the reaction has been exagger-ated. The impact of the new

rules is mostly psychological, according to Mr Roger Wright, head of the foreign investment fund at Banco de Investmentos Garantia. "In a market

which can turn over \$60m a

day, an extra \$200m in a year will not make that much differ-

ence," he says. "But what the

new rules show is that the Bra-zilian government is now com-

BRAZIL's new rules allowing direct purchases by foreign institutional investors came into effect on Monday. The market took the move in its stride this week, rising 0.5 per cent on Monday and easing 0.1 per cent hy mid-

session yesterday.

The prospect of foreign capital flowing into Brazilian equity markets has animated the country's indices since the Comissão de Valores Mohiliares (CVM), Brazil's stock market watchdog, announced its intention to loosen restrictions on foreign investment

three months ago.

The new rules had their greatest impact in May, as the entry of foreigners became an increasing likelihood. With the market expecting between \$100m and \$500m in outside capital to enter the country during the next 12 months, investors marked up prices 41.7 per cent in dollar terms last month, according to the International Finance Corporation, part of the World Bank. Last month Brazil extended its rise this year to 142 per cent, regaining from Argentina its

position as the best performing market in the world. mitted to attracting foreign risk capital. And that's a post-

The nsw regulations received official approval two weeks ago, along with other rules designed to bring in outside capital. Since Monday, foreigners have been allowed to hold on the Bradling capitals. The entry of more foreign capital could lead to greater stability. "Foreigners will enter the market as long-term hold-ers rather than speculators," predicts a Citibank spokesman, and that should help reduce hold on to Brazilian equity for only 24 hours, compared with a minimum of 90 days under prevolatility." vious regulations. Foreigners There may not he a sus-

are now also exempt from capitained increase in volumes tal gains tax.

"The new rules have enhanced our credibility and Once the foreigners are in, they are likely to hold equity for long periods of time," says Mr Vidigal. "Therefore, they will not be much help in boostare a sign that the country is welcoming ontside invest-ment," says Mr Alvaro Vidigal, president of Bovespa, the São Paulo stock exchange. Economic factors also con-tributed to the rally in Brazil-ian equity prices in May. The

market responded with enthu-siasm to the appointment of Mr Marcilio Marques Moreira as economy minister last month. He has taken a much softer line with Brazilian business than his predecessor, Ms Zelia Cardoso de Mello. Last week, for instance, Antolatina, the group formed by the merger of Ford and Volkswagen in Brazil, won its defence in an anti-trust case brought against it by

Market	No. of slocks	May 31 1991	% Change over 5 weeks (Dollar term		1991	al currency and 5 veters	
Latin America		77.10			44 00E 100	+36	+2527
Argentina	(29)	497.21	+3.3	+90.1	27,335,129	+61.7	+329.8
Brazil	(67)	96.95	+41.7	+1421	8,467,118		+26.7
Chile .	(35)	1,190.64	+9.3	+46.5	3,144.44	+10.5	
Colombia	(20)	287.59	+4.3	~0.2	1,580.94	+ 14.0	+17.9
Mexico	(56)	1.166.48	+ 16.3	+60.5	18,096.00	+16.5	+84.3
Venezuela	(16)	498,55	8.1	- 1.3	3,601.55	-8.0	+7.5
East Asia	(,,,						1.0
Korea	(72)	293.82	-3.6	-13.5	257.38	- 3.7	-123
Philippines	(30)	1,402.78	+9.0	+61.6	1,923.85	→ 8.8	+61.0
Taiwan, China	(70)	775.06	- 4.8	+20.3	528.11	~4.7	+21,5
South Asia	,1						
India	(60)	250.55	+4.9	+ 5.6	417.19	+7.3	+20.8
Indonesias-	(66)	61.07	8.6	- 6.5	96.57	-5.3	-3.7
Malaysia	(62)	154.35	+5.2	+23.0	175.44	+5.6	+24.9
Thailand	(43)	339,84	-9.5	+ 16.3	320.48	-9.7	+17.7
Europe/Middle							
Greece	(32)	471.18	- 13.9	- 11.0	697.00	-13.7	+6.4
Jordan	(25)	94.40	-3.8	+4.8	170.52	1.6	+11.4
Portugalt	(30)	450.85	-3.0	-0.2	433.99	~3.2	+9.2
Turkey‡	(25)	105.38	- 18.1	- 41.9	557.63	- 15.3	- 20.2

IFC EMERGING MARKETS PRICE INDICES

according to the International Finance Cornera-LATIN AMERICA continued to produce some of tion, taking its gain in dollar terms over three months to 54 per cent, while Turkey extended its loss over three months to 44 per cent. the best emerging market gains last month, while European bourses retreated further. After Brazil, Mexico produced the biggest rise,

the administration's former economics team. Investors see the new conciliatory approach es positive for company profits. A conviction that the Brazilian depression is weakening has also boosted prices. "I think the index surge was due to positive signs on the economics front as well as the

prospect of foreign investors

entering the market," says Mr Wright. So far, signs of improvement are largely anec-dotal but the business community anticipates an improvement in economic indicators during the next few months. With Brazil's privatisation

programme finally moving ahead, the equity market is likely to attract substantial

interest from ahread during the next few months. The pria new kind of foreign investor, such as the international banks," says Mr Vidigal. If all goes well, privatisa-tion and improving economic conditions will sustain price gains until the end of the

allen

Foreign demand helps France climb 1.5% to 1991 high

France rise sharply in active trading yesterday, while other tate-closing bourses were lifted by Wall Street's firm opening. urites Our Markets Staff.

PARIS advanced 1.5 per cent to a year's high, on active buying by foreign investors. Domestic investors were more

Domestic investors were more hesitant, because of the high interest rates. The CAC 40 gained 23.56 to 1.874.81, passing the previous 1991 high set on June 3, in turnover of FFr29bn, well above Monday's

There was a growing belief among foreigners that the hourse would end the year 10-15 per cent higher, the econ-omy would recover and interest rates would fall, said one The news that LVMH, the

FT-SE Eurotrack 100 - Jun 11 Open 10 am 11 am Noon 1 pm 2 pm 3 pm Close 1157.17 1158.21 1156.77 1157.43 1157.45 1157.59 1158.26 1159.97 Day's Low 1156.49 June 10 1155.46 June 7 1156,31 June 5 1165,54 June 6 1180,15

invigorated the market. The LVMH move is necessary to restore its original holding in the UK company. LVMH gained FFr131 or 3.1 per cent to FFr4,350 in volume of 47,550

Stocks popular with British and other international inves-tors were strong, including Suez, up FFr10.30 at FFr30.70 on 537,580 shares, and Peugeot, which rose FFr15 to FFr681 on 257,200 shares FRANKFURT fell back from

early gains of around 2 per but it still registered new 1991 highs. The FAZ index was up 5.29 at 716.55 at midsession and the DAX closed 10.98 higher at 1,715.80. Volume rose Foreigners continued

from DM5,4bn to DM7bn. favour Siemens, up DM6 at DM670.90, while Daimler rose DM7.50 to DM768.50. However, the antomotive pace-setters were Volkswagen, up DM7.20 at DM409, as it reported a rise in deliveries of 6.4 per cent for

the first five months, and Continental, the tyremaker, DM5.50 higher at DM195. Retailers were strong. Kar-stadt rose DM12 to DM685 as its DVFA earnings more than doubled to DM38.44 for 1990 sesinst outside expectations of DM31 to DM32 early this year and Degah's revision of its estiand Degan's revision of its esti-mates to DM34 two weeks ago.
Asko rose DM15.50 to DM829
and Horten, in which West-deutsche Landesbank's acquisi-

tion of a majority stake received official approval yes-terday, put on DM11 to DM220. MILAN opened higher in reaction to the overwhelming approval of a referendum on electoral reform. But prices closed lower on technical con-siderations linked to the expiry of monthly options contracts on Wednesday and the end of the June account on Friday,

as stockbrokers went on strike to protest against planned reforms. They may strike again Flat added L19 at the official

close to L6,131, and rose to L6,155 after hours. BRUSSELS edged higher, with the Bel20 index up 2.45 at 1,181_28. Turnover grew to from BFr598m. Groupe AG, the insurer, gained BFr60 or 3.1 per cent to BFr1,985 in active trading

BFr1,985 in active trading before its annual meeting.
Other hig price changes occurred in light trading. Glaverbel jumped BFr200 or 5,1 per cent to BFr4,100 and Wagon-Lits gained BFr390 or 5,8 per cent to BFr4,160.
STOCKHOLM fell for the third successive day. The Affarsvärlden General index The Comit index fell 2.06 to

605.08 in volume estimated at below Friday's L146hn. The time of SKr331m, after the pre-bourse was closed on Monday vious day's SKr303m, vious day's SKr303m. Volvo tree B shares cased SKr1 to SKr352 after Monday's SKr9 gain. The car company unveiled its new model, the 850

inveiled its new model, the sau GLT with five cylinders and front wheel drive.

OSLO was depressed by Monday's news that Aker and Nora had swung into ioss in the first four months of 1991. The all-share index fell 3.82 to 513.34 in turnover worth NKr270m. Aker lost NKr150 to NKr2750 and lost NKr1.50 to NKr77.50 and Nora fell NKr15 to NKr225. AMSTERDAM was lifted by

a firm Wall Street opening at the close of a listless Dutch session. The CBS tendency index closed 0.5 higher at 95.5. ISTANBUL rose 3 per cent after Monday's announcement of lower Treasury hill rates. The 75-share index gained

This notice is issued

Nikkei rises slightly as volume stays low

emall-lot haying by institutional investors yesterday, but volums stayed low before the

June futures expiry, writes Emiko Terozono in Tokyo. The Nikkei aversge closed 64.21 higher at 24,663.59, after a low of 24,460.30 and 8 high of 24,721.27. In spite of bargainhunting for large-capital issues by insurance companies and investment trusts, volume remained low at 220m shares,

up from 200m.
Losses led gains by 460 to
442, with 201 issues unchanged.
The Topix index of first-section stocks rose 3.50 to 1.999.71 and, in London, the ISE/Nikkei 50 index rose 1.11 to close at

Trading was quiet ahead of the publication of the Tankan, the Bank of Japan's quarterly husiness report. The survey said that companies were still confident: the number of com-panies expressing optimism outstripped the number of pes-simists by 36 per cent. simists by 36 per cent.

The Tokyo Stock Exchange said the balance of margin buy-ing had fallen for the fourth

Tokyo

week, moving down by Y27.6hn
to Y5,872.2bn, reflecting the
lack of activity. Ms Benedicte
SHARES rose marginally on

Week, moving down by Y27.6hn
to Y5,872.2bn, reflecting the
lack of activity. Ms Benedicte
SHARES rose marginally on

Week, moving down by Y27.6hn
to Y5,872.2bn, reflecting the
lack of activity. Ms Benedicte
In Osaka, the OSE average
fell for the sixth consecutive
ica West Airlines. TNT lost 6 unable to unload their margin positions because of the low

> Nippon Telegraph and Tele-phone fell Y13,000 to a year's low of Y865,000. Interest rate-sensitive, large-capital issues weakened: Nippon Steel, the most active stock of the day, fell Y3 to a 1991 low of Y428. Sumitomo Metai Mining rose Y50 to Y1 290 on rumours of a Y50 to Y1,290 on rumours of a gold vein discovery in

southern Japan. Tokio Marine & Fire Insurance added Y30 to Y1,280 on buying by foreign investors and pension funds.

Calpis Food Industry gained Y90 to Y1,280 on reports that it was buying a Tokyo beverage maker. Rising sales of its canned soft drinks also attracted investors.
interest focused on highly

priced, small-capital stocks with low liquidity. The second section index rose 20.29 to 3,273.63 and the over-the-counter market Index gained 43.53 to 3,261.67. Secom, the security service company, gained Y130 to Y6.250, Sony

day, losing 136.86 to 27,440.06. Volume dropped to 18.8m shares from 23.2m. Interest rate-sensitive stocks were depressed by the higher yen and lower bonds. Nintendo, the game maker, rose Y800 to Y13,600, and Dai-Dan, an engineering company, climbed Y150 to a record Y4,810.

Roundup

PACIFIC RIM markets were concerned with domestic AUSTRALIA was lifted by

golds, the sector index gaining 65.3, or 6 per cent to 1,143.9 on rising bullion prices. Gold Mines of Kalgoorlie rose 8 cents to 73 cents and Placer Pacific by 14 cents to A\$2.46. The All Ordinaries index added 8.0 to 1,485.0 in turnover of A\$187m, down from A\$138m. Bundaberg Sugar jumped 40 cents to A\$4 after Mr John

Kerin, the new government treasurer, cleared the bid from Tate & Lyle. The UK company is offering A\$4.10 a share. TNT and News Corp were

cents to 82 cents and Corp fell 16 cents to A\$8.44. HONG KONG was boosted by remarks from Chinese Communist Party leader Jiang Zemin that China would not interfere in Hong Kong's affairs in the run-up to 1997. But the Hang Seng index came off the day's high to close 10.29

better at 3,631.48. Turnover was thin at HK\$880m after Tuesday's HK\$787m. NEW ZEALAND fell as the details of the Telecom Corp Ilotation stole investors attention. The Barclays index fell 12.10 to 1,436.30. SINGAPORE rebounded on

bargain-hunting after a weak opening. The Straits Times Industrial index rose 8.69 to 1,538.31 in volume of S\$65m, down from S\$70m. TAIWAN ended mixed in thin trading. The weighted index eased 1.47 to 5.851.16 and

volume fell to T\$36.4bn from T\$41.7bp BOMBAY reopened after a day's closure to light and heal-tant trading, but the BSE index

rose 13.33 to 1,261.64.

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Grupi	ne

by OMV Group.

Rights issue of new shares

AS 400, 000, 000 Nominal Value New shares to bearer of nominal value of AS 100,- each (nos. 1,000,001 - 5,000,000)

Ranking for dividend with effect from January 1st, 1991

The subscription period is June 10th to June 24th, 1991.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sache & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS			MO	NDAY JU	RE 10 1	991				FREDA	Y JUNE	7 1991			LAR IND	EX
ngures in parentheses show number of lines of stock	US Dollar Index	Dey's Change %	Pound Sterling Index	Yen Index	DM Index	Local Gurrency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Starting Index	Yen Index	DM tridex	Local Currency Index	1991 High	1991 Low	Year ago (approx
Australia (70)	134.01	+0.2	118.97	120.20	123.32	118.50	+0.0	5.52	133.81	118.69	118.67	123.24	118.50	147.30	112.74	137.
	198,22	-0.2	175.98	177.80	182.41	182.09	-0.2	1.48	198.71	176.25	176.23	183.01	182.45	222.37	167.00	245.
Selgium (49)	130,34	-0.5	715.71	116.90	119.94	117.00	-0.4	5.05	131.01	118.21	118.18	120.86	117.44	151.20	127.73	150
	141.57	-0.4					-0.4	3.34	142.20	128.13	128.10	130.09	118.11	142.27	128.49	138
learnary (37)			125.69	126.98	130.27	117.64				211.04						
Denmark (37)	299.67	+0.7	212.77	214.98	220.55	221.58	+0.8	1.52	237.98		211.01	219.13	219.89	270.58	217.74	
Inland (16)	112.75	-1.1	100.10	101.14	103,76	98.80	-0.9	2.29	114.01	101.12	101.11	105.00	99.74	125.15	90,51	135
rance (114)	134.33	-0.3	119.25	120.48	123,60	126.27	-0.4	3,49	134,72	119.50	119,47	124.07	126,75	152,26	121.85	156
	111.81	-0.5	99.26	100.30	102.89	102.89	-0.8	2.17	112.34	99.65	99.84	103.46	103.48	125.35	102.43	126
	150.98	-0.4	134.03		136.94	149.79	-0.5	5.18	151.62	134,48	134.48	139.64	150.59	181.77	119.62	130
roland (10)	152.72			135.42				3.50	153.61	138.18	136.15	141.38		182.48		
reland (18)		-0.5	135.58	136.99	140.54	142.37	-0.4						143.01		132.88	187
taly (77)	79.18	0.1	70.31	71.03	72.87	77,66	+0.0	2.09	79.25	70.30	70.28	72.99	77.66	88.23	72.05	105
apan (474)	130.23	-2.5	115.61	116.81	119.85	118.81	-1.4	0.72	133.61	118,51	116.49	123.07	118.49	146.97	118.35	149
Malaysia (68)	235.54	-1.1	209.10	211.26	216.74	252.04	-0.7	2.58	238.09	211.18	211.14	219.27	253.91	247.76	192.83	232
	056.50	-1.6	937.94			3480.95	-1.5	1.85	1073.35	952 04	951.91	988.55	3535.30	1079.72	634,45	538
	136.80			947.65	972.21			4.35	136.94	121.46	121.44	126.12				
low Zooland (19)		-0.1	121.45	122.71	125.89	124.47	-0.1						124.62	145.73	125.70	135
lew Zealand (13)	49,12	+ 1.8	43.60	44.06	45.20	44.45	+ 0.3	7.94	48.33	42.67	42.87	44.52	44.32	54.54	41.18	63
lorway (32)	198.81	- 1.0	176.50	178.33	182.95	186.12	- 1.0	1.58	200.75	178.06	178.04	184,89	187.94	223.24	182.24	234
	200.66	-2.2	178.14	176.99	184.65	184.83	-1.8	2.03	205.12	181.94	181.81	188.91	157.93	208,25	151.63	208
	222.51	+1.7	197.63	109.67	204.84	161.92	+1.4	3.38	218.81	194.08	194.05	201.52	159.70	222.81	173.00	184
	156.98	+0.4	139.37		144.46	130.10	+0.4	4.10	158.36	138.69	138.68	144.01	129.53	171.12		156
world /271				140.81											131.51	
wedan (27)	188.22	-0.4	167.10	168.83	173.21	177.15	-0.4	2.50	189.00	167.64	167.62	174.08	177.88	204.12	146.60	214
witzerland (58)	92.35	-0.1	81.99	82.84	85,00	86.57	-0.5	2.22	92.41	81.97	81.96	85.12	86.97	100.57	82.17	101
Inited Kingdom (239)	167.72	+0.2	148.90	150.43	154.33	148.90	+0.3	4.92	187.44	148.51	148.48	154.20	148.51	187.44	156.27	180
	153.47	-0.2	136.25		141.23	153.47	-0.2	3,17	153.73	138.36	136.35	141.60	153.73	158.24	125.95	148
				137.67												
	137.08	−0. 1	121.68	122.94	128,13	124,08	-0.1	3.83	137.13	121.63	121.62	126.30	124.15	151.52	125.50	
	182.00	+0.0	181.57	163.25	187.48	163.25	+0.0	1.97	182.05	181.47	181.45	167.67	163.27	200.61	155.55	203
acific Besin (718)	130.85	-2.3	118.17	117.37	120.41	117.68	-1.3	1.09	133.98	118.84	118.83	123,40	118.27	145.92	117.86	148
	133.64	-1.4				121.09	-0.6	2.20	135.57	120.24	120.22	124.85	122.09	147,68	121.29	147
			118.64	119.88	122.97											
	152.64	-0.2	135,51	136.93	140.49	151.06	-0.2	3.16	152.93	135.64	135.64	140.87	151.34	157.04	125,91	145
	116.29	-0.2	105.02	106.13	108.88	109.53	-0.3	3.06	118.54	105.14	105.15	109.20	109.82	129.80	106.85	134
acific Ex. Japan (244)	136.68	-0.4	121.34	122.62	125.79	123.74	-0.4	4.75	137.20	121.70	121.70	126.38	124.29	145.86	111.40	133
	135.34															
		-1.3	120.15	121.40	124.55	122.18	-0.8	2.26	137.18	121.66	121.65	125.33	123.12	148.16	122.32	147
	137.83	-1.0	122.36	123,63	126,84	130,22	-0.8	234	139.25	123.52	123.51	128.27	131.06	145.77	120,06	144
orld Ex. So. Al. (2211)	139.92	-0.9	124.22	125.52	128.77	131.76	-0.6	2.58	141.25	125.29	125.28	130.10	132.54	148.86	122.92	145
	147.19	−0.1	130.67	132.04	135.47	140.21	-ŏ.ĭ	3.48	147,37	130.71	130.71	135,75	140.39	152.83	126.69	145
he World Index (2272)	140.44	-0.9	124.68	125,98	129.25	132.03	-0.5	2.60	141.73	125.71	125.70	130.54	132.78	149.01	123,28	146

Latest prices were unavailable for this edition. Australian market closed 10/6/91, Italian prices were unavailable 10/6/91.

OMV together with its subsidiaries and associated companies is an integrated, increasingly international group active in the crude oil industry (refining and marketing), the natural gas industry, and the chemical

Acquisition In the first half of 1990, OMV (Canada) Ltd. acquired shares in two oil fields and one gas field in Alberta. OMV (U.K) Ltd. acquired shares in two fields in the British sector of the North Sea. For the first time in OMV's history, the Group is producing more oil abroad than in Austria.

and petrochemical industries

Financial Situation The financial situation of OMV Aktiencesellschaft and of the OMV Group as derived from the audited

consolidated accounts of the OMV Group for the two years ended 31st December 1990 is summarised below:

OMV Group:

In million AS	. :	•	1989	1990
Consolidated turnover			58,467	77,869
Balance Sheet total	-		47.981	63.245
Equity capital			13.541	14.040
Outside capital			34.440	49.205
nvestment in tangible fixed assets	7.1		3.967	10,047
Depreciation on fixed tangible assets			3.677	4,361
Profit according to OVFA			1.557	1,621
Cash flow according to OVFA			5,767	7,247
Aims Nation and State of				
ÖMV Aktiengeselischaft:				

OMY Aktiengeseuschaft:			
In million AS	1989	1990	
Turnover	41,941	49.510	
Balance Sheet total	35,933	37,731	
Equity capital including	99,833	37,731	
untaxed reserves	11.190	11,461	
Outside capital		•	
Investment in tangible fixed assets	24,737	26,270	
Depreciation on fixed tangible asset	1,294	1,326	
Depredation of fixed language asset	\$ 2,597	2,200	
Österreichische Länderhank	S.G. Warburg Consulting		

Aktiengesellschaft, Am Hof 2, 1010 VIENNA

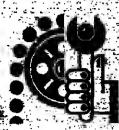
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June 12th, 1991

POWER GENERATION EQUIPMENT

SECTION III

Wednesday June 12 1991



Political changes in fresh opportunities and the EC's Single Market reforms may

open up existing markets. The industry must deal with even tighter environmental measures and the debate over the future of nuclear power. Andrew Baxter reports

Challenges in a buoyant era

generating equipment have There are challenges ahead. generating equipment have there are challenges ahead, sustained too many shocks however. In western Europe, over the past 29 years to become fired with over entire strengthened suppliers' world-slasm if prospects improve. But wide competitiveness, but firew would deny that the out their rationalisation is still look is looking healthles now likely in manufacturing capacitan at any time in the 1960s, ity for the large steam turbines. Participants in the highly that have become less relevant cyclical market for turbines. Participants in the highly cyclical market for turbines, generators, boilers and a wife range of ancillary combinent are benefiting from a fundamental shift in buying patterns among utilities and industrial customers as consumption of electricity in many key merkets catches up with installed capacity.

capacity.
At the same time, a global trend towards more efficient trend towards more efficient
use of fuel and tighter environmental standards is changing
the industry's product mix and
fuelling interest in retroliting
modern southment to existing
power stations.

ower stations.
On top of that is the intriguing prospect of sales to the former eastern Germany, eastern
Europe and the Soviet Union,
where the safety of Sovietsigned nuclear power stations
has been questioned and the
environmental impact of conventional plants bearing brown coal (lignite) has varied

W Share

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eastern Europe offer

gies and shop around for cheaper, more efficient and quicker to build plant. Then there is the biggest uncertainty of all - the future of nuclear power worldwide. Big equipment suppliers such as GE, Asea Brown Boveri and Siemens are continuing to invest in new techniques so that they are ready for any upturn in western markets at the end of the decade or early next century. But the fate of this investment is largely out of their hands. Despite these challenges it

losspice these challenges in looks as if the normal pattern in this long lead time industry—of trailing recessions elsewhere in manufacturing—could be broken in the 1990s.

1990s. "It could be that two years from now, when the economies of the world think they are out of a recession, this business will have a low point. But we are not forecasting that we see are not forecasting that: we see the growth requirements being strong enough and consistent enough. we see steady growth over the next decade," says Mr. David Genever-Watling, senior vice-president at GE Industrial and Power Systems, the world's biggest gas turbine producer.

There is certainly plenty of room for growth. Buffeted by the after-effects of the second oil price shock, the industry hit rock bottom in 1985. The world market has recovered strong enough and consistent

world market has recovered steadily over the past two or three years but is still around half the level of its historical peak in 1974.

that have become less relevant to western customers' rapidly-changing needs.

The European Community'e Single Market reforms promise to open up protected national markets as competition' is introduced to the public procurement process, but US suppliers, led by General Electric, complain that they are being excluded—and are demanding a "level-playing field."

UK suppliers, meanwhile, complain that the government's relative parsimony infinding "aid for trade" is hampering their competitiveness in GE's forecasts for the 1990s imply growth in the US market for new capacity of 24 per cent a year, unexciting but still a dramatic burnround from the first half of the 1980s when the market fell to a tenth of its former size. In contrast, GE expects the

dence that they will be allowed to compete fairly in the reunif-Far East market, and particu-larly Japan, Korea and Talwan, to grow at 5-7 per cent a year during the 1990s if power sup-ply is to keep pace with fast-growing economies, Mr Robert McCoy of UBS Securities in New York estimates that the led Germany.

Another important development is the changing nature of customers in the power supply industry, illustrated most graphically by privatisation in the UK. For equipment suppli-Far East's share of the world

pering their competitiveness in some promising Third World

markets, Some await hard evi-



per cent in 1980 to 26 per cent last year.

According to UBS, GE and its associates had 35 per cent of this market last year, followed by Mitsubishi Heavy Indus-tries/Westinghouse Elec-tric/FiatAvio with 21 per cent. In third place was ABB and its oint venture with the UK's Northern Engineering Indus-tries (17 per cent), followed by GEC Alsthom's European Gas Turbine Company (10 per cent) and Siemens' KWU with 9 per

Although there are 26 com-panies competing in the world gas turbine market, the princi-pal suppliers of the technology can be counted on one hand, and ownership of - or access to - the leading edge of gas turbine technology has never been more important.

Natural gas was long consid-red too valuable a fuel for use in power generation but now. large, reliable gas turbines have been developed which can be linked to steam turbines to produce "combined cycle power generation - cleaner and more efficient than con-ventional "open cycle" coal-fired steam turbine generation. GE is the technology leader

in gas turbines, even if Euro-pean rivals such as ABB claim to have the edge elsewhere.
The US company's global reach
has protected it from the
recent dearth of orders at
home. A further advantage has been its ability to feed off the turbine research of its sister GE aero-engine company. In Europe, interest has

focused on progress made by Swiss-Swedish ABB and Anglo-French GEC Alsthom since they were formed in 1988 and 1989. Mr Göran Lundberg, head of ABB's power genera-tion business, highlights the \$1.6bn acquisition in 1989 of Combustion Engineering, the

US boiler group, enabling ABB to offer a total retrofit package and enhancing its effectiveness ever, has required streamlining and rationalisation.

GEC Alsthom, meanwhile, has taken longer to emerge from its shell since GEC of the UK and Alcatel Alsthom of France merged their power and other heavy engineering activi-ties. After sorting out the inev-itable cultural differences, the power business is now firing on all cylinders, taking advantage of product synergles between the two partners and its gas turbine licence agree-

ment with GE. The four Japanese suppliers, led by Mitsubishi, have carved ont an important sphere of influence in the Middle East. But this is not an industry where they have captured tech-nological leadership from the west – Hitachi and Toshiba are GE gas turbine licensees.

To reap the rewards from the opportunities available in the 1990s, the big suppliers will need to keep open as many options as possible. The trend to combined cycle is not uni-

versal, and political and resource-use considerations will guarantee coal-fired steamturbine generation a continued important role in much of the Third World, especially China. Nowhere is the need for suppliers to stay flexible more marked than in environmental

control systems. While there is universal concern about emis-sions, fashions change rapidly and the extent to which fine words are matched by deeds varies widely from country to

country.

"A few years ago people were talking about eulphur dioxide, then nitrogen oxide, and there are more things comand there are more things com-ing up," says Mr Lundberg. The uncerteinty partly explains why the big suppliers are maintaining their compet-tiveness in nuclear fuel technotingy — a no-emission method of generating power, albeit still beset by worries over safety of the power generation process and the subsequent reprocessing of waste.

All the opportunities come

together in eastern Germany and - with risks too - its former communist neighbours. Siemens and ABB have been particularly active in eastern Germany where cash-rich Ger-man ntilities plan to spend somswhere between DM20bn and DM40bn before the end of the century on new or replace-

ment plants.

Further east, demand for clean, efficient power plant is enormous, but so are the financing problems and political uncertainty. All the big western companies are trying to cement links with suppliers such as Skoda of Czechoslosuch as Skoda of Czechoslo-vakia and Leningrad Metal Works, the well-regarded

Soviet steam turbine producer. The winners will get a ringside seat at one of the most tantalising of many opportuni-ties now beckening, and occasionally bewitching, the supply industry. Fortunately, most producers are keeping their heads, predicting a "reasonably buoyant" sra ahead after the "perfectly horrible" or even "catastrophic" 1980s.

IN THIS SURVEY

The Middle East: The ewift conclusion to the Gulf war has done much to repair the trayed confidence of the region's business community. This, in turn, has led to a modest recovery in the fortunes of some suppliers Page 2

■ The UK: Britain has become the most open market in Europe and the only one where ell tour of the world'e main gas turbine technologies are represented

■ Technology: No dremetic new breakthrough le on the horizon, industry sources eey. Accordingly, worldwide demend will be met with technologies that exiet or are in development todey

■ Environment: Political and economic changes in the past two years heve outlook for seles of equipment to combat pollution trom coal-fired power eta-



FGD system on a power station in west Germany

gie Merket offere nuclear energy the opportunity to

Editorial Production: Phil Senders



GEC ALSTHOM is a world leader in power engineering and rail transport with a tumover in excess of £4.8 billion and almost 80,000 employees worldwide. Over half of its sales are

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Jim Millard reports on the Middle East market after the Gulf war

Modest upturn for suppliers

THE swift conclusion to the Gulf war has done much to repair the frayed confidence of the Middle East's business community. This, in turn, has led to a modest recovery in the fortunes of some power equipment suppliers.

While the number of power plants in the Gulf mushroomed during the oil boom of the 1960s and 1970s, the 1980s were quiet by comparison. With oil prices now stabilised at about \$22 a barrel and looking likely to fall still further, many see the fate of the power supply industry as depending on two factors: first, sufficient political stability to permit economic recovery lu war-torn states such as Kuwait, Iraq, Iran and Lebanon; second, the success or failure of a significant private sector io the relatively stable Gulf states.

The more developed states are now looking to reduce their dependence on petrodollars by building up both manufacturing and service industries. The extra growth generated by these activities is starting to provide a fillip to the regional nower supply market.

power supply market.

At the beavy eod of the generation scale, the oil rich Gulf states (including a pre-war Kuwait) have been locked in a race to keep their generation capacities abreast of rapidly growing demand forecasts, at a time when many older stations are approaching the end of their design lives.

their design lives.

The absence of any hydro resources, and vast and increasing reserves of oil and gas on their doorsteps, have made cheap, flexible and modular gas turbine units the obvious choice. Conversions and refits have become common as utilities look to boost output and efficiency from existing older thermal plants with gas

turbius "topping" cycles. Newer gas-fired stations have heen converted to combined cycle plants through the addition of waste heat boilers and stream turbines.

steam turbines.
In Dubai, where electricity consumption is growing at around 10-12 per cent or more annually – more rapidly than

around 10-12 per cent or more annually - more rapidly than anywhere else in the Gulf - the Duhai Electricity Company is keeu to give fresh impetus to projects that auffered from uncertainty and high insurance rates during the way.

the war.

The Jebel Ali Free Zone and Port in Dubai coutinues to grow at such a rate that there is speculation that it will soon require a ssparate and dedicated power supply, despite the commissioning in 1993 of the 400MW Jebel Ali 'G' plant, originally earmarked for construction at Al Mamzar ou the Dubai/Sharjah border.

The Dubai Electricity Company recently confirmed a \$950m contract to a European consortium led by Siemen's

Kuwait's most modern station, the 2,400MW Al-Zour South plant, survived the conflict relatively unscathed

power plant subsidiary KWU, in the face of competition from both Asea Brown Boveri (ABB) and Mitsubishi-led consortia.

In Kuwalt, the mood is less certain. The combination of a dramatic reduction in the pop-

certain. The combination of a dramatic reduction in the population following the exodus of many nou-Kuwaitis, and the destruction of much of the country's industry has had a considerable impact on Kuwait's power needs, with inevitable investment casual-

ties. Plans for a 2,400MW gasfired statiou at Subiya have been suspended while energies and currency are diverted to more pressing problems.

Ironically, Kuwait's most modern station, the 2,400MW Al-Zour South plant, survived the conflict relatively unscatbed and is ready to come ou-stream as soon as damaged transmission lines have been repaired. It is estimated that this plant alone could supply up to 75 per cent of Kuwait's power needs.

Although soms repairs are required at the Doha East plant, generating facilities at both Doha West and South Shuaiba have beeu active since April. It is now clear that further government investment in base load power will have to wait until justified by economic growth.

If and when the orders do come, it is by no means certain

that the recipient companies will be from Kuwait's main war allies, the US and Britain. Speculation abounds that the severe contract conditions that discouraged most leading contractors from bidding for Kuwaiti contracts during the 1980s will be retained, leaving only Japanese companies such as Mitsubishi Heavy Industries, Hitachi, Toshiba, Taiset Corporation and Sasakura

Eugineering Company to repair and replace what they built in the first place.

This view is reinforced by the likelihood of low bidding and generous financing as the Japanese seek to make amends for their lack of involvement in the allied coalition.

Iraq, ou the other hand, needs massive investment in generating capacity, but has little hope of receiving it in the foreseeable future. While damage appraisals vary, Mr Ulf

Bejmar, head of ABB's West and South Asia regional office in Amman, Jordan, estimates that about 70 per cant of Iraqi capacity was destroyed, with a further 20 per cent currently out of action through distribu-

With US and European suppliers ruled out politically for the time being (with the possible exception of Swiss-Swedish ABB), only the Soviet Union and Japan have the industrial muscle to build power stations on such a scale. But with the UN demanding a hefty chunk of Iraq's oil revenues for war reparations, and banks worldwids unwilling to provide credit guarantees, neither look likely to take up the challenge in the near future.

Sources at KWU, which has previously built oil-fired plants in Iraq, are more bullish, however, saying that the company expects to win a share of the contracts regardless of the government in power. It is, they say, simply a question of the finance becoming available.

Iraq needs massive investment in generating capacity but has little hope of receiving it

Elsewhere in the region, increased stability has seen a dramatic increase in activity in even the most war-torn of countries such as Iran and, less conspicuously, Lebauou. Improvements in Iran's oil and gas revenues and an end to the nine-year war with Iran have enabled several projects to be reactivated, including large hydroelectric schemes on the Karun and Arras rivers.

The largest of these, the



Kuwait City power plant: destruction of much of the country's industry had a considerable impact on power needs

3,000MW Karun-3 dam, is likely to be built by a consortium of Construtora Andrade Guti Errez of Brasil and Technopromexport of the Soviet Union, although foreign financing and export credit guarantees for the \$3bm project are still not forthcoming.

Plans for a further 4,800MW of capacity spread over six plants in western Iran have also been drawn up, including a 1,200MW combined cycle plant at Gilan, and a further hydroplant, Karun-4.

hydroplant, Karun-4.

Iran's long-standing relationship with the Soviet Union has also given it a chance to redevelop its nuclear power programme, started in the 1970s but halted in 1980 at the start of ths war with Iraq. The islamic Republic News Agency (IRNA) reported in June last year that the Soviet Uniou would be building two nuclear plants in Iran as part of a wideranging trade agreement. Mohsa Nourbakhsh, Iran's finance minister, confirmed that one of the plants would be a partly finished station at

Bushehr, ahandoned by contractors KWU in 1980.
Further north, where hostilities in Beirut appear to have ended there is evidence that local investors are starting to cast their eye over the Lebanese market where shortages,

six hours daily in the Beirut area.

At a receut seminar on power and water shortages sponsored by the American University of Beirut, plans were revealed for the immediate repair of both the Jiyeh and Zouk power stations.

theft and rationing of electricity have restricted use to about The mood among most manufacturers, especially those of diesel and gas generator sets and other standby power equipment, is now very much one of "wait and see". Much of the need for this type of equipment is based on installations such as hospitals and office blocks, most of which have long since been destroyed.

long since been destroyed.

Mr Ian Bale, chief executive of the Dale Electric Group, a long-time manufacturer and exporter of generator sets worldwide, is optimistic but cautious about prospects in Lebenge.

Nothing will really happen

until the area is totally demilitarised - probably within the next 18 months. Then we shall see signs of local businessmen bringing their capital back

from Cyprus."
The real problem with the Middle East, he explains, is the absence of strong local markets, unlike the situation in South East Asia. "Compare Indonesia, with 200m people, to Saudi Arabia, with just seven million, and you can see why the Middle East will always be a difficult market," he says.

The author is deputy editor of Middle East Electricity



'Preserving the balance of power in Europe': a 33MW Ruston engine built at Lincoln

■ PROFILE: GEC Alsthom

Anglo-French venture forms a strong force

IF the Japanese ever assume the technological leadership in power generating equipment that they have achieved in consumer electronics, it will be because mergers such as that between the heavy engineering businesses of GEC and Alcatel Aisthom have gone badly

Alsthom have goue badly wrong.
Fortunately for GEC Alsthom's two powerful shareholders, there appears to be little possibility of that happening. The Anglo-French venture has emerged as a strong force in the world power engineering market, buttressed by a broad product range and by the licensing agreement that European Gas Turbines, its 90 per cent-owned subsidiary, has with General Electric of the US.

GE owns the remaining 10 per cent of EGT, cementing a link which goes a long way beyond many of the US company's manufacturing agree-

per cent of EGT, cementing a link which goes a long way beyond many of the US company's manufacturing agreements with other companies.

GEC Alsthom was formed largely in anticipation of the Single Market and against a backdrop of growing concerns. Hourone about the competitiveness of nationally based heavy engineering concerns. Four of its nine divisions are devoted to power generating equipment and accounted for 44 per cent of tha company's

Ecus.55bn (\$7.5bn) of sales in 1889/90.

The formidable power of Japanese manufacturers, in harness with their financial institutions, has often proved too much for western competitors. But Mr Nicholas Salmon, deputy managing director of GEC Alsthom's power plants division, says the formation of groups such as the Anglo-Freuch company and Asea Brown Boveri has been nacessary in preserving the balance of power in Europe.

Indirectly, GEC Alsthom is also part of the GE family that produces the visualizations.

halance of power in Europe.

Indirectly, GEC Alsthom is also part of the GE family that produces the world's biggest, hottest and most efficient gas turbines, says Mr Kelvin Bray, chairman and chief executive of EGT.

Given the importance of large, sophisticated gas turbines in modern combined-cycle plants, the relationship with GE is, perhaps, more important to GEC Aisthom than it is to the US company, but it is not a one-way process. EGT is supplying power turbines for GE's aero-derivative range and is working with GE in aircraft gas turbines. GE and EGT also have a transatlantic technology council for

heavy-duty gas turbines, helping each side to issue technology simultaneously. Rationalisation of European

steam turbine capacity was a key factor behind the cross-border mergers of the late 1980s and this sector was the only big area of significant overlap for GEC Alsthom to tackle.

But aven there, says Mr Salmon, it was helped by the fact that both constituents had similar steam turbine technology, removing the need to make difficult choices about which technology to drop.

Elsewhere, the fit has been

which technology to drop.
Elsewhere, the fit has been remarkably free of overlaps and the company has emerged with a turnkey contracting capacity and equipment ranging from turbines through boilers to flue gas purification, with nuclear reactors virtually the only omission. No one at

GEC Alsthom was formed largely in anticipation of the Single Market

GEC Alsthom is too worried about that in the present cli-

The combination in gas turbines has been particularly effective, producing a range from 2MW to 212MW out of the small Ruston turbines in the UK, Alsthom and the German Kanis larger models, and aero-derivative products in mid-

range.
Alsthom, Kanis and Ruston had agreemeuts with GE before the merger, and Mr Bray says that "nothing thet we were doing has had to be stopped or cancelled, although we were able to do some things more economically."

Turnover at ECT has risen from 250m at the time of the merger to about £470m in 1990/91, and a £100m product and process development programme is undergram.

gramme is underway.

Capacity is being expanded, with a new facility planned in France for producing a larger volume of rotors and complete gas turbines incorporating the latest blade technology.

Progress at EGT is unlikely to cut much ice with the 500 workers at GEC Alsthom's Lame factory which will close at the end of the year. The Northern Ireland plant was a victim of the annellation of the UK's 900MW coal-fired stations and nuclear programme, that led to the announcement in April of 900 UK job cuts.

But Mr Salmou believes that, internationally, the overcapacity in steam turbines is likely to continue at a "more acceptable rate" until the end of the 1990s. That is based partly on projections for conventional coal-fired stations which underline their continuing importance in Third World

জনাত্র গাওলা টেক্স কেল্ডাকা ডেক্স কা সাক

or start at #

countries.

GEC Alsthom is particularly well-placed in China which is likely to remain a big user of coal-fired stations and represents the company's largest export market for power plant. GEC Alsthom has 6300MW of capacity installed or ou order in China, due partly to the considerable long-term efforts by its forbears to open up a difficult market.

Elsewhere, GEC Alsthom was later than its rivals, Siemens and ABB, in making acquisitions in eastern Germany, purchasing two steam generator companies in April. But it has a bigger installed base than its competitors, says Mr Bray, with 21 gas turbines in use in the former Rast Germany.

many.

And Mr Salmon points out that the German parts of GEC Alsthom's business, such as boiler-maker EVT and Walther with its flue gas treatment systems, have products that are relevant to the eastern German market.

Overall, Mr Salmon is reasonably optimistic about GEC Alsthom's prospecta in the power plant business worldwide, and notea that the demand in many western markets for equipment to replace ageing, inefficient power stations provides "an element of inevitability" to balance the industry's inherent cyclicality. Along with its competitors, GEC Alsthom is keeping its optious open to address the diverse needs of customers, recreating the control of the contr

especially in environmental control.

In the UK, for example, it has joined British Coal's "topping cycle" project at Grimethorpe in Yorkshire, a combined-cycle system incorporating sophisticated

coal gasification techniques.

The aim of such participation is to ensure that if and when coal regains its popularity as a fuel source in western markets, GEC Alsthom is well placed to take advantage. "We have a view that when coal comes back it will be burnt in a more environmentallyfriendly way," says Mr Bray.

Andrew Bax

Technology

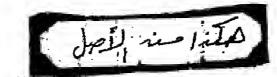
FOR A NEW CENTURY

In July this year, Babcock Energy celebrates its centenary.

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Babcock



MNANCIAL TIMES WEDNESDAY JUNE 12 1991

POWER GENERATION



THE UNITED KINGDOM

Trend towards turnkey deals

RECESSIONS may come and go in the power equipment industry, but few maxicets, if any, have ever undergone the structural upheaval that has occurred over the past two many in the IM.

occurred over the past two
years in the UK.
Privatisation of the electricity supply industry has
changed the customers, their
priorities and capabilities. UK
generating aquipment suppliers, which hitherto had the
market in themselves, have
been forced to dance to new
tunes.

tunes.

The UK has become the most open mariest in Europe and the only one where all four of the world's main gas turbine technologies are represented. It is also librarating more strongly than virtually snywhere else the trend towards turnley conjuncting rather than piscemeal sales of components.

tales of components. According to one big squip-sent supplier: "Pre-privationtion the UK was a components

You can go from ... signing the contract to turning on the power two years later.

CEGB) engineering and multi-purchasing plant to his design and specification. Now the derivatives from the CRGB and all the new people are saying:

Give me a box. A Regional electricity companies and the new independent companies which have never built a power station simply do not have the resources to design one. And while National Power and PowerGen, the direct descendants of the CEGB, still retain these skills, they view themselves as operators, rather than builders, of

tors, rather than builders, of power stations. In the second half of the In the second half of the 1980s, rising demand for electricity reduced the reserve margin between especity and maximum usage, a problem which the CEGB had begun to address by placing design contracts in 1988 for three varylarge coal-fired stations.

These were doomed before they even got off the drawing board, as privatisation was

hoard, as privatisation was even then in the offing. Equip-ment suppliers knew privatised utilities would be unable to take on the commercial risk of plants that took five to seven years to build, or up to 10 years for nuclear plants.

The repercussions of the can-cellation of the 900MW coal-fired stations in 1989, the realisation that no more would be built at least before the end of the century - if ever - and the abandonment of the UK nuclear programme are still

being felt.
Earlier this year GEC Alsthom aunounced it would close
its Larne manufacturing operation in County Antim with the loss of 500 jobs. Lame man-ufactured heavy equipment for-large steam turbines and depended heavily on the UK

nuclear programme.
It did not take a genius to work out that the privatised utility industry would want chesper, more efficient power stations which it could order virtually of the shelf. The decivirtually off the sheft. The defi-sion by the UK government to allow the use of gas for power generation opened the way to the use of gas turbine com-bined-cycle power stations which most all these criteria, which meet all these criteria, along with speed of construction. "You can go from signingtine contract to turning on the
power two years. later," says
Mr Peter Muccke, general manager of Siemens' power engineering business in the UR.

The fact that much of the
UK's generating capacity was
coming to the end of its natu-

coming to the end of its natural 30-40 year life was yet another factor in favour of the Treasury on whether such deals are legal for hospitals ties could rapidly replace unaconomic expectity and aveid the difficulties of retroliting.

Despits Britain's considerable worldwide expertise in produce the universe of retroliting power to the universe electricity able worldwide expertise in produce of the universe of

ficiary, picking up a \$300m order last year from PowerGen for a \$0056W station at Killing-holme, South Yorkshire, and a \$200m contract this April for a

Heritordshire.
Foreign equipment will also power the higgest combined oycle power station yet announced in the UK, with Mitsubishi; using Westinghouse technology, supplying the gas turbines for Euron's 1726kW Teseside project, one of the world's largest.

Some UK suppliers did not, at first, seem well positioned for the new market conditions. Northern Sugineering Industries lacked access to the large gas urbines of about 1806W capacity needed for combined cycle until its joint vanture company with Asea Brown company with Asea Brown Bovert was formed at the beginning of last year. Last summer the venture won its first big UK contract for

tion at Killingholme.

Angio-French GEC Alsthom,
after some initial-disappointments on the major contracts,
has recently picked up four
medium-sized orders, including
a 160MW combined heat and power (CHP) station at Sella-field, and two identical SOMW combined cycle power stations

The big UK piant contractor John Brown, which has a gas turbine manufacturing agreement with GE; has yet to win any UK combined cycle orders but has hopes of remedying that if Scottish Hydro's Keadby

project proceeds.

The future for equipment suppliers in the UK market is very difficult to predict, given such factors as gas prices and the difficulties independent generators are finding in put-ting projects together. But most suppliers believe that, for environmental and efficiency

environmental and efficiency reasons, the vast majority of stations bought for the UK will be combined cycle.

Mr Nicholas Salmon, deputy managing director of GEC Alsthom's power plants division, notes that in 1988 and 1989 experts were forecasting that the UK's combined cycle capacity might be \$,500MW by 1935.

'I think you're a brave man If you put any absolute figures on your extrapolations'

twice that committed, and the perceived wisdom is that the He cautions, however, that "it's a new market, there are both gas supply and electricity demand parts of the equation that are not mature, and I think you're a brave man if you put any absolute figures

on your extrapolations."

CHP projects on a smaller scale to GEC Alathom's Sellafield deal are also generating interest, although infrastructural costs are also properties. tural costs are an obstacle to its use for district heating. A more likely application is for individual factories, where

CHP has been in use for decades, and now offices and decines, and now times and hospitals. H. Leverton, the Windsor-based Gaterpillar dealer, recently won an innova-tive contract with the Mayday Hospital in Croydon under which the dealer bears the 5406,000 capital cost and sells the heat and power to the hospital, guaranteeing it savings of 231,000 a year for 10 years.

But there are, as ever, uncertainty of the power to the power to the power to the power to the power of 251,000 a year for 10 years.

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THE political and economic changes of the past two years have dramatically reshaped the outlook for sales of equipment to combat pollution from coal-

fired power stations. In some countries, where the phenomenon of acid rain first roused public concern in the 1970s, plans to install flue gas desulphurisation (FGD) systems have been buffeted by the economic downturn.

in Britain, an already cautious programme of sulpbur vatisation of the electricity

industry. In western Germany, orders for FGD have dried up for a different reason - most of its coal-fired plants have already been fitted with sulphur scrub-

in the rest of Germany and in eastern Europe as a whole, however, the hig clean-up is just starting

The new regimes show a keen interest in drastically reducing the sulpbur dioxide (SO₂) and nitrogen oxide (Nox) belching from their power stations and other fossil-fuel burners. Unfortunately, Germany apart, these countries lack the money to match their "green"

In Britain, one of Europe's higgest coal consumers, the present FGD programme began in the mid-1980s under the EC rolling programme to cut sul-phur pollution drastically by

The Central Electricity Generating Board, which produced nearly all the power in England and Wales, was inirially expected to install sulpbur scruhbers on some

Political changes have reshaped the sales outlook, writes Maurice Samuelson

The big clean-up is just starting

12,000MW of its capacity, representing the hulk of its baseload coal-fired plant. It also pledged to include FGD at any new coal-fired station

This commitment, following many years of thin orders for new conventional power stations in Britain, had beartened the comhustion plant huilders. But it began to evaporate two years ago with the decision to abolish the CEGB and to split its fossil-fired assets between two successor companies, National Power and PowerGen. Mrs Margaret Tbatcher, in her closing months as prime minister, agreed to cut the

minister, agreed to cut the scrubber programme from 12,000MW of generating capac-ity to 8,000MW.

This was on the grounds that both these companies would in any case reduce their sulphur output more cost effec-tively by building "clean" nat-ural gas stations and by burning more low-sulphur imported coal in their remaining coal-

fired stations. More recently, bowever, uncertainty has arisen as to capacity will be retrofitted. National Power is pressing on with FGD at its 4,000MW station at Drax, North Yorkshire. Under a £400m contract there, Babcock Power is installing a Bahcock Hitachi system to trap the sulphur in

powdered limestone and produce a commercially saleable by product of gypsum for the

PowerGen may not, as previ-ously expected, match National Power by putting in scrubbers at 4,000MW of its own coal-

Work has started on adapting the 2,000MW station at Ratcliffe on Soar near Nottingbam. (The £250m project there went to John Brown Engineering which is using a limestonegypsum project ilcenced from GRES of the US.) PowerGen has also chosen

Installed capacity of FGD systems, end 1990				
Countries	Total (MW			
Austrie	1,860			
Canada	300			
Сһіла	700			
Czechoslovakia	(200)*			
Denmark	1,570			
Finland	540			
France	600			
Germany (west)	41,870			
Italy	30			
Japan	13,880			
Natherlands	2,730			
Sweden	1,090			
Turkey	340			
USA	81,730			
USSE	45			

gasification, when linked to combined cycle power genera-tion, has gained increasing

attention over the past few

years. Emissions are signifi-cantly lower than for conven-

infancy, bowever, and a num-

ber of companies are working

Given the nature of combined cycle, research efforts

have also heen directed

towards waste recovery steam generators and steam turbines.

Boilers, often overlooked

despite being of comparable value to turnine generators,

are finding a new application

as waste recovery steam generators in combined cycle plants,

and are an area where environ-

mental concerns are prompting technological change.

One of the most significant trends has been fluidised bed

comhustion, an innovation

which underlines both the flex-

ibility and environmental secu-

rity that utilities are now seek-

ing. FBC boilers reduce

emissions and can burn a wide

variety of fuels from coal to

Big producers such as GE emphasise that steam turbine

technology is not being ignored. The US company has

over recent years introduced several significant improve-ments in designs and materials

to improve the thermal effi-

ciency of steam turbines.

Despite the greater efficiency

with open-cycle power plants, it still lags behind the 80-90 per

cent thermal efficiency claimed

for combined heat and power (CHP), which uses the inherent

waste beat from conventional steam sets - or much amaller spark-ignited engines - to pro-

vide water or space heating for hospitals, offices, factories or

argue that it renders conventional central power stations obsolete. Although technologically simple, the high cost of infrastructure for heating has

the world's higgest construc-

tions in the US and several thousand in the Netherlands,

and has henefited from its

Centrax, a Devon-based tur-

bine generating set producer, has sold 25 sets into Nether-

Caterpillar is also leading the way in using landfill gas - the methane hasad gas

which can huild up on house

hold wasle tips - as fuel for a

spark ignited Cat engine. In April, Japanese motor

group Mazda announced a

2MW facility for its new Hofu

car plant near Hiroshima. The

unit has two special features - a facility for storing unused

energy as hot water under very

high pressure, and a system

making use of thermal energy

released when the holler's

steam, after powering the tur-

bines, recondenses into liquid.

extensive dealer network.

combined-cycle compared

municipal solid wastes

Coal gasification is still in Its

tional coal-fired plants.

on different approaches.

TOTAL

John Brown to clean up the 2,000MW station at Ferrybridge in South Yorkshire. Although the Department of Energy apparently assumes this project will go ahead, PowerGen itself is delaying a final decision about a site.

It is hinting that any new sulpbur scrubhers might be built instead at one of its oilfired power stations, such as Ince in Lancashire or Isle of Grain on the Thames, where it plans to burn Orimuision, the cheap hut sulphur-rich tar-derived fuel developed in Vene-

In Scotland, however, FGD is being squeezed in rather than out. Scottish Power, inheritor the south of Scotland's for sil fired plant, is believed to be under government pressure to install FGD at its 2,400MW station at Longannet on the Firth

The Department of Energy apparently believes that coal hurners in Scotland should belp to meet the national target for sulpbur reduction and that not all the onus to do so should rest on the privatised generators south of the border, The economic logic is less impressive, however, since Scottisb coal has a significantly lower sulphur content than English varieties.

Meanwhile, combustion and clean-up equipment suppliers

prefer to look ahroad. In contrast with the confusion in Britain, Korea and Taiwan are steadily building up their port-folios of coal-fired generating plant. They put FGD on them as a matter of course, while adding new scrubbers to older.

Korea is expected to build four 1,000MW power stations, all with FGD. There will also scrubhers on four new 500MW generating sets planned The competition is intense.

UK power stations are due to reduce nox output by up to 30% under a £170m plan

recent Taiwanese order for FGD was awarded to Babcock Canada (owned by American Babcock) in competition with two other US companies, Foster Wheeler and Comhustion Engineering, and with Babcock Power of the UK. Babcock Canada'a price is said to have been 30 per cent below that of its nearest rival.

An even bigger, although far less tangible, market for scrubbers beckons from eastern Europe which has 80,000MW of coal-fired power stations. According to the International Energy Agency's London-based there is only one FGD plant operating in eastern Europe a 200MW installation in eastern Germany. The Soviet-supplied system at a Czechoslovak station was, at the end of last year, out of action.

Throughout tha area, how-ever, there are grandiose plans. Apart from eastern Germany. where west German industry is expected to retrofit 4,000MW by 1996, they include: Poland: 1996, they include: Poland: 11,400MW to be fitted by the year 2000; Czechoslovakia: 2,000MW-3,000MW; Hungary: about 1,200MW earmarked for retrofit; Bulgaria: FGD approved at 12 power stations totalling 2,300MW; and Yugoslavia: FGD to go on 600MW of new plant and 1,500MW to be retrofitted.

Nitrogen oxide (Nox): the

Nitrogen oxide (Nox), the other acid rain gas emitted by road transport as well as power stations, is much easier for se electricity industries to In Britain, where about 40

per cent of nox comes out of coal-fired power stations and a similar quantity from motor vehicles, power stations are due to reduce their nox output hy up to 30 per cent under a £170m 10-year scheme launched in 1987. It involves redesigning the hurner heads in the power station boilers. A similar programme has been

Estimates of future FGD instaffations until the end of the century (in Gigawatts) Bulgaria Canada 25 Czechoslova Denmark Hungary India 50.0 40.1 TOTAL 'not lockeded in IEA Coal Research delabase Source IEA Cust Research, I major

launched in eastern Germany hut Poland is the only other former communist state to

Dust emissions are also being widely controlled by the use of electrostatic precipita-

The cost of sulphur reduction, together with that of water purification, is in a different league, however. It has been estimated that it would take 20 years and at least \$200bn to bring east European industry up to western envi-ronmental standards. Another estimate puts the cost of a similar clean-up in eastern Germany at DM300bn.

The scale of these costs and the cross-frontier nature of the pollution have led some west-ern countries, notably Germany, the Netherlands and Sweden, to conclude that investing in pollution control in their backward neighbours is more cost effective than further marginal improvements at

This view is strongly advocated among western equip-ment suppliers. Mr Martin Peters, sales director of Babcock Power, says that the cost of reducing SO, emissions by 80-90 per cent is haif of that trying to eliminate 99 per cent of SO. Instead of striving for the 99 per cent clean-up in its own industries, therefore, an environmentally conscious country such as Sweden should spend its money mare effec-tively by spending the difference on helping to clean op neighbouring countries which cannot afford to do the job at

Andrew Baxter examines trends in technology

Plenty of room for new developments

PREDICTING trends in power generation technology is a difficult business - ao much depends on factors that are outside the suppliers' influence, and individual markets vary widely in preferences and

But the starting point for most forecasts is that, as Gen-eral Electric of the US pots it, "no dramatic new technology hreakthrough is on the borizon." Accordingly, worldwide demand will be met with technologies that exist or are in development today.

Fortunately, this prospect leaves plenty of opportunity for technological development, even if the eventual success of a product in the market might depend as much on fuel price trends as technical expertise Fuel represents up to ooe half of the cost of the generated kilowatt/hour, and the relative price of different fuels will dictate future trends, says Mr Patrick Wynne-Jones, director of the Energy Information Centre

Later this month, the Power Supply Europe exhibition at Birmingham's National Exhibi-tion will demonstrate the development or adaptation of a wide range of current technolo-gies by the established hig names of the industry and many of the smaller players.

The common factors linking many current trends in power generating equipment are effi-ciency, flexibility and the environmental effect. This is illustrated in everything from combined cycle gas turbines to

mini-power stations.
lo combined cycle, the exhaust gases from a gas tur-hine are used to make steam which is used to drive a steam turhine. This, in turn, gener-

ates more electricity and avolds wasting exhaust gas through a chimney stack. Consequently, the thermal effi-ciency of combined cycle is normally about 50 per cent, compared with 38-39 per cent

for large coal-fired plant. While the wider availability of natural gas in traditional markets has been an important factor in the growth of com-bined cycle, the development of dependable large gas turbines has been the most cru-cial technological factor.

Spurred indirectly by the beavy spending in the closely-related aircraft engine field,

We and other players have had to drive down the thorny road ourselves'

and particularly in turbine hlade technology, the thermal efficiency, size and reliability of gas turbines have all been increased, making them the industry's growth technology. inevitably. GE has had an enormous inbuilt advantage, given its aero-engine expertise, and Mr Lundberg comments that the US company has benefited from a "free ride" through US government research fund ing into aero-engines. "We and other players have had to drive down the thorny road our-

selves," he says.

But ABB, along with Siemens and Mitsubishi, has also developed a strong presence in large gas turbines, which should really be called combustion turbines - they can oper-ate a wide variety of both gas

and liquid fuels. The gas, too, can come from a variety of sources and coal ALONE among the big European producers of generating equipment. Slemens o West Germany atood aside from the wave of cross-border takeovers in the late 1980s - and gives the clear impres-sion that its independence will

remain uncompromised. "There is a German saying that the most powerful is strnngest alone," says Mr Heinrich von Pierer, head of KWU, Siemens' power generais necessary to merge with

pany that, 10 years ago, derived more than 70 per cent of its business from nuclear work. That has now declined to about 25 per cent, due as

In fact, one of Siemens' car-rent strengths is its full spectrum of power technologies. Along with Framatome of France, with which it co-oper-ates on nuclear plant huilding in export markets and - more recently - domestically, it is probably the world's biggest supplier of generating equip-ment for nuclear stations.

tion husiness, "I dnn't think it

another company."
But KWU has not been standing still. To do so would have been suicidal for a commnch to KWU's efforts as to the dearth of nnclear reactor orders virtually worldwide.

In large gas turbines, it is the wurld's second higgest player after General Electric of the US. Last year It had 9 per cent of the world gas tur-bine market as a whole, according to UBS Securities in New York. It is also in the top five for hydro-electric equip-ment and steam turbines, and considers liself the higgest player in power instrumentation and control equipment.
The SPRU Power Plant Data
Base says Siemens has figured

PROFILE: Siemens

No compromise over independent stand

the top three exporters of tur-bine generators and has lifted the percentage of production en by foreign markets from less than 50 per cent to 60 per cent since 1955.

Mr von Pierer attributes KWU's success partly to a willingness to offer turnkey contracts in many countries. The strong export profile also leaves KWU well-placed to benefit from the expected lib-eralisation of public procurement in the post-1992 European Community.

The most graphic illustration of these factors has come in the past 18 months in the UK. Helped by its research and development in advanced gas turbines. Siemens has won two each worth about £300m, as the domestic suppliers' monop-

KWU was firmed in 1969 when Siemens and AEG comhined thermal power busi-nesses. Siemens later took over AEG's stake and reahsorbed KWU in 1987, KWU made good profits until the end of the 1980s from its core nuclear business, hnt last year nuclear contracts came mainly from servicing their own plant and replacement equipment for plants built by other com-



in the year to September, against DM6.8bn in 1989/90. German reunification bas npened up a new dnmestic

Von Pierer: 'I don't think it

reached a lnw point two years ago when the German ntilities abandoned the Wackersdorf reprocessing plant in eastern Bavaria. KWU, says Mr von Pierer, was in a difficult position for six months, but has since recovered its momentum. In the intervening period a number of events have helped restore KWU's fortunes and Mr vnn Pierer expects total orders to reach about DM8bn

confident that KWU will bene-fit heavily from the DM20bn-DM30bn expected to be spent before the end of the century to replace nr modernise the east's nid lignite-fired plants. Siemens, one of the biggest western investors in eastern Germany since unity, bas bought a turbine factory in Goerlitz and expects to have more then 2,000 eastern

employees in power engineer-ing by the end of this year. Siemens has been talking to Skoda Pizen, the Czechoslovakian engineering group, about co-operation across a range of activities, and Framatome will be involved if there are any agreements on nuclear

co-operation. Finnish partners pulled off a coup last month by winning a FM700m deal to supply the Soviet Union with its first combined cycle plant, at Len-ingrad. This was Siemens' first conventional plant order in the Soviet Union.

Mr von Pierer says demand for new equipment in eastern Europe la enormous, and points nnt that Siemens is benefitting from its long history of activity there. Even so, he believes financing will remain a limit nn the industry's growth in eastern Europe.

Overall. Mr von Pierer expects EWU to exceed the industry's average growth rates over the next few years. He is encouraged by the grow-ing demand for increased generating capacity among devel-oping countries and by the expected 130,000MW-150,000MW of new or replacement capacity in the US over the next decade. KWU is rela-tively well off for a foreign supplier by having manufacturing in the US, a legacy of its takeover of Allis-Chalmers

turbines in the 1970s. KWU has been careful to encompass the technological trends caused by 'green' concerns. In coal gasification it is supplying the turbines for a demonstration plant at Buggenum in the Netberlands which uses gas from hard coal, and one in Germany firing gas

from lignite. KWU, in tandem with the Munich utility Bayernwerk. has also carved out a 25 per cent world market share in the production of photovoltaic cells, following the purchase last year from Atlantic Elchfield of what is now called Siemens Solar Industries, "This is moment, but it's an investment for the future." says Mr

All these developments give the KWU chief cause to he optimistic for prospects nver the next five years, even if the nuclear business proper bas not recovered by then. Mr von Pierer believes that this will happen in the second half of the 1990s, and emphasises the importance for KWU nf main-taining the ability in be a turnkey supplier.

Andrew Baxter

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Surety House, Old Redbridge Road, Southampton SO1 ONE Tel: 0703 779778 Telex: 8954348 Fax: 0703 779010 LONDON MANCHESTER LIVERPOOL BRISTOL SOUTHAMPTON

IT would have baen singularly unfortunate if Babcock Energy, the UK boilermaker, had found itself celebrating a centenary in one of the industry's periodic downturns, rather than the more optimistic environment of the

early 1990s. BE, part of the UK's Babcock International, can be grateful that the com-pany from which it developed was founded 100 years ago next month, and not six years earlier; few equipment suppliers would bave felt much like even districts.
Proponents of CHP often

opening the champagne in 1985.

Now, however, prospects are "reasonably huoyant", says Mr John Prosser, executive director of BE's power engineering division. "There's plenty going on and a lot of opportunities. The major

problem is picking the ones that are really going to happen."

Bahcock has been synonymous with boilers ever since George Babcock teamed up with his childhood friend Stephen Wilcox, another US engineer, to patent Wilcox's noneering water. to patent Wilcox'a pioneering water

infrastructure for heating has been a discouraging factor for investment in CHP, even if the cost of entry can often be low.

Availability of natural gas has been a big factor in the growth of CHP, which began in the 1970s – the Netberlands, for example, accounts for 20 per cent of its power needs by mini power stations based on CHP and could reach 40 per tube boiler design.

The UK company is one of the 10 significant worldwide suppliers of large boilers, often competing against former parent Babcock & Wilcox of the US and CHP and could reach 40 per cent by the end of the century. Caterpillar, better known as erstwhile slhling Deutsche Babcock. Another former relation, Japan's Bab-cock-Hitachi, gained its independence from tha UK company in the early 1980s, but the two groups retain a techtion equipment group, has installed 400 mini-power stanology exchange agreement.

The Japanese company was the source of BE's expertise in environmental control systems - particularly flue gas desulphurisation (FGD) - which comprises the rest of its busine

Although Babcock points out that it was fitting flue gas scrubbers on its boilers in the 1930s, it is only in the past few years that anvironmental control systems have emerged as a signifi-cant natural accompaniment to the traditional boiler businass. A graphic illustration of this is Babcock's £350m FGD retrofit contract for the Drax power station at Selby, in Yorkshire. Winning the Drax deal, says Mr Pros-

ser, was due partly to the experience built up earlier in the 1980s bidding (unsuccessfully) for FGD work in Europe. But the outlook for further large FGD contracts in the UK is at best uncertain. Utilities are switching to lower sulphur coals and are attracted by the economics of huilding new combined cycle plants rather than retrofit-



An anthracite-fired power station under construction in Yue Yang, China

■ PROFILE: Babcock Energy

Buoyant outlook on centenary year

ting FGD to existing coal-fired stations, as the old Central Electricity Generat-ing Board had intended. To maintain its momentum in FGD; BE is examining alternative processes to the conventional wet limestone gyp-

sum process, which produces large quantities of gypsum as a by product. It is working with Bechtel of the US on a regenerative seawater washing process, using magnesium in the seawater to remove sulphur dioxide, which Mr Prosser believes has significant potential.

The other important trend for BE has been the increasing popularity of com-

bined cycle plant, especially in the UK.
For BE the development bas been double-edged; the consequential cancellation of large coal-fired stations has hit the potential domestic market for BE's larger boilers badly, while the waste heat steam generators (WHSGs) it sup-plies instead for combined cycle are smaller and more widely produced. On the other hand, combined cycla

plants are much smaller than conven-tional coal-fired open cycle stations, so more WHSGs are needed. And as comhined cycle plants get bigger and more sophisticated, so will the WHSGs, which should play to BE's strengths. Last June, BE won the first of what it hopes will be many contracts linked to combined cycle - a £35m deal to supply four WHSGs for tha 900MW station

being supplied by Siemens for Power-Gen at Killingholme, South Yorkshire. There is, however, uncertainty over future power station building in the UK, and Mr Prosser stresses that "we have not been holding our breath for the UK market for a long time because we would never have survived."

The Drax contract has cut exports' abare of total sales from 40 per cent in 1985 to about 30 per cent, but the export total is expected to recover over the next few years to 40 per cent, with an eventual target of 70-80 per cent. Achieving that will depend on two

The second of th

factors - BE's ability to exploit the opportunities for which it is best suited. and to maintain links with more broad

ly-based equipment suppliers which can supply turnkey power stations. Mr Prosser is a paid-up member of the "coal will be back" tendency, and points ont that, in much of the Third World, it never really disappeared. China, in particular, is seen as a market where coal will remain king, and thus present BE with significant opportunities, such as its current boiler supply order for the Yue Yang project.

The Middle East provided last year's higgest disappointment for Babcock with the cancellation of the £160m Al Anbar oil/gas fired boiler contract in Iraq, but with the Gulf War over BE sees plenty of opportunities, albeit taking time to come to fruition.

Eastern Europe looks like being self-sufficient in boilers, but Mr Prosser sees potential for Babcock'a FGD plant and, especially, cheaper environmental products such as low nox (nitrogen oxide) burners. He hopes the European Bank for Reconstruction and Develop-ment could help finance contracts

ment could help finance contracts which do not bring commercial gains but improve the environment.

A flexible approach to the companies BE works with has also been increasingly necessary. For many years, says Mr Prosser, Babcock tended to ride on the coat-tails of GEC, but with GEC Alsthom tending to use its own Stein boilers, BE has had to look elsewhere. Siemens, which does not have an in-house boiler-maker, is one source of business, but BE is also working with Asea Brown Boveri — despite the latter's purchase of Combustion Engineering, the hig US boiler-maker.

ing, the hig US boiler maker. BE's competitive position has, in any case, benefitted from heavy rationalisa-tion at Babcock's Renfrew manufacturing plant over recent years, and the pruning of senior management under taken during the short spell in the late 1980s when Babcock was owned by FKI,

the UK electrical group. But Mr Prosser tempers his optimism about business prospects, and BE's abil-ity to benefit from them, with a note of concern about UK government backing for the industry. In particular, he wor-ries about the shortage of "aid for trade" funds - often a prerequisite for winning big Third World contracts.

POWER GENERATION 5

WITH the exception of defence. equipment and, perhaps, sero-space, the world market for power generating equipment probably ranks as the most politically sensitive capital goods aector – and seems likely to remain so, whatever steps are taken to liberalise trade.

Over the pest 30 years, spo-radic attempts have been made to curb protectionism in the trade of turbine generators, but structural obstacles have normally proved insurmount-

In the handful of countries which have local suppliers, the majority of orders are still placed domestically.

A recent book* by Sussex University's Science Policy Research Unit suggests a num-ber of reasons why this is the

case.

Utilities build up long-term relationships with local suppliers, often customising equipment design to their own requirements, which makes them less likely to place orders with other numblers. with other suppliers.

For internationally traded

plant there are many other fac-tors militating against open competition. Suppliers haveworked bard at building "spheres of influence" in different regions of the world, exploiting both the otilities wish for continuity and the customer country's lear of dis-turbing broader political and economic links.

ENERGY analysts often point out that if one were to apply western standards - that is, ity per head of population — the capacity of Asia's power plants would have to be boosted overnight to at least 2.5m MW (2.5bn kW, roughly level from the existing mark of around 250,000MW (250m

According to the World Bank, the key ntilities of "developing" Asia plan to dou-ble installed capacity by the end of the century to approxi-mately 472,000MW. While far less than what is needed, it is a sizeable target, which the Bank believes can be achieved. According to the Bank's esti-

mates, planned expenditures for the capacity expansion will \$277hn will be spent on genera-tion, \$39hn on transmission, \$100bm on distribution equip-ment, and \$39bm on general support costs. It is estimated that 35 per cent of the costs will be for foreign equipment, tic component. This could mean \$160bn in orders to foreign companies over the

By the year 2000, the project mix is likely to be 258,000MW cost, 144,000MW hydroelectric, 23,000MW nuclear, 22,000MW. oil and 22,000MW natural gas, with the balance from geother big gains will be in cost, gas and hydro, each of which will more than double. Nuclear will advance by a fraction with potential activity focusing on China, Indonesia and Thailand Foreign aid will be the spur,

coming from national agencies such as US Aid, Britain's ODA, and Japan's OECF, as well as from the World Bank and Asian Development Bank, The World Bank last year provided \$1.58bn in concessional loans to Asia's energy sector. The ADB saw its energy sector lending for 1980 jump by 73 per cent to \$1.05bn. On average, 20 per cent of all aid agency funds

go to the power sector.
It is believed the World Bank/ADB contribution to Asia power through the 1990s could top \$25bn, with a similar figure coming from the individual bilateral agencies, particularly Japan's OECF.
The UK has consistently

funded major power schemes in Asia. Britain is putting the finishing touches on a record Malaysia to support a £400m hydroelectric project being undertaken by Ballour Beatty and Comentation as prime con-

Anti-competitive behaviour, including cartelisation, bribery and political pressure, has also a concern for proponents

The SPRU study notes that "the very lumpy nature of sales makes it a market where successful bribes, even in miltions of dollars, can bring handsome returns." Mr David Genever-Watling

senior vice-president of GE Industrial and Power Systems, notes that the the US Foreign Corrupt Practices Act bans facilitating payments or bribes. "Most of our competitors do not have that constraint. That's an issue in many parts of the world, as obviously wo obey US law."

Governments have also played their part in impeding progress towards free trade.

Single Market reforms have handed the initiative back to the **EC Commission**

The heavy electrical industry's role as a supplier to the electrical supply industry and its contributions to national engineering infrastructure have led most governments to assert it as a strategically regard it as a strategically important industry which is to be developed and maintained. However, the SPRU notes that "the mechanisms by which governments have supThere are many factors against open trade, writes Andrew Baxter

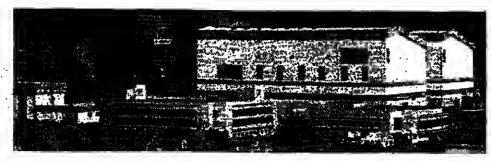
Politically sensitive sector

always been the traditional ones of high tariff barriers and subsidies. The result, though not always the intention, has been that the industry has been largely protected. "Procurement policies have

encouraged purchases from national suppliers and standard systems have been designed by and for national suppliers and customers. Both these factors act as barriers to entry for foreign

suppliers."
The main focus for this debate over recent years has been the European Community. Since 1955, only 8 per cent of power plant commissioned within the EC has been supplied through intra-EC trade, and 12 per cent from non-EC suppliers, according to the

For different reasons, both the European Commission and the US have wanted to open up the market to competitive bidding for contracts - the US, because it has perennially complained of being denied access, and the Commission because it wants to encourage a much-needed rationalisation within



ints regard power as a strategic industry: GuangDong nuclear station, China

Europe's heavy engineering

Over the past decade national governments have contrived to keep the energy sector out of the Commission's directives, but the Single Mar-ket reforms have handed the initiative back to the Commis-

The Commission's Utilities Directive, which comes into force at the beginning of 1993, will bring practically every contract for power equipment under new rules that throw

public procurement open to competitive bidding. "Public", in this case, means public supply rather then pub-

countries require a business

Mr Arne Bennborn, Asea

Brown Boyeri's executive

vice-president (Asia) says:

"The developing countries of Asia will never be able to import all their requirements.

Joint venturing will be very important for western compa-

nies doing business there in the future.

new capacity by most of devel-oping Asia is proceeding at a pace similar to that experi-

enced by Japan in the 1950s and early 1960s.

At that time, Japan relied

heavily on imports of US

power generating equipment from Westinghouse and Gen-eral Electric, still the indus-

Now they are able to supply

their own ntilities through

such companies as Toshiba, Hitachi and Mitsubishi, under

His view is that the rate of

link with a local partner.

lic ownership, so non-state owned utilities are also covered, unless they are involved purely in industrial cogenera-A key issue in contract specification, technical standards, is

addressed through measures enabling potential suppliers to obtain enough infor meet the costomers' require-

Although there has been some grumbling from European suppliers and ntilitles aboot the bureaucracy and increased costs of a more open public bidding process, the changes are broadly welcomed by the big European suppliers.

nies such as Asea Brown Boverl and GEC Alsthom in a good position to take advan-tage of the changes, due in no small measure to their spread of manufacturing within the Nevertheless, the pace of change is expected to be vari-

The cross-horder mergers of

the late 1980s have put compa-

able, with France and Italy bringing up the rear.
"All countries are running line, but some have their lees tied by national interests or political constraints," says Mr Jim Cronin, one of GEC Als-

The big problem area, however, is access to the post-1992 market for non-EC suppliers. US turbine producers, General Electric and Westinghouse.

Mr Kyle Pitsor, manager of international affairs at the US National Electrical Manufacturers' Association, says US manufacturers have been "nearly exclusively closed out of the European market due to the close relationship of utilities and national champions. Mr Pitsor is worried that the hitherto been a matter of cus-

There are two specific problems - procurement entities will be able to reject a bid with less than 50 per cent European content, and can also prefer European bids so long as they are no more than 3 per cent dearer than the best bid from a third country.

tom and practice.

The US is now working to achieve agreement with the EC on amending the offending Article 29 of the Directive, which lobbyists for the US suppliers say is a clear violation of the General Agreement on Tar-iffs and Trades (Gatt).

Although there are some hopes that the problem can be sorted out this year, US suppli-"pay" for exclusion from the

There is also concern about the EC's planned "remedies directive" as applied to utilities

contracts. With the cost of bidding often as much as \$1m, US suppliers want to ensure they can find out wby they lost out. Clouding the issue is a disagreement over competition in

the US market. Some estimates suggest imports bave accounted for just 10 per cent of US demand. but GE says peoetration is much higher in some sectors. such as steam turbioes, and that the market is wide open.
The EC interprets the facts

differently, maintaioing thet

Curiously, though, there are few complaints from the big Europeao suppliers nbout access to the US, and Mr Pitson points ont that foreign companies bave often been uninterested in bidding to supply many of the smaller US utili-

The European issue remains the major trade controversy in the industry, wheo viewed from the US.

GE, at least, is much happier

about its access to the Japa-nese market - Mr Geoever-Watling points out proudly that Tokyo Electric Power is its biggest customer.

*The World Market for Heavy Electrical Equipment, by Steve Thomas and Francis McGowan. Nuclear Engineering Interna-tional Special Publications. rey. SM2 5AS, UK. £35.

Frank Gray examines regional requirements

Asia's sizeable target

ity into the national grid. Earnings from those sales will not implage on the Pakistan exche-

As one official for KWU, the

power generation arm of Ger-many's Siemens, says: While

there are no 'bad' countries in the region; business is possible

Siemens' Successes through

out Asia include major orders

China, it has won major tur-bine contracts for hydroelectric

and thermal power schemes, including the giant Gezhouba

it is never easy to do busin

in all of them."

installed capacity/population in selected Asian countries								
Country		Ξ.	:	Population	(sh)		Capa	city (LLW)
Bangladesh China Hong Kong India Indonesia Malaysia Nepal Pakistan Philippines Singapore South Korea Taiwan				107 1,070 5.8 800 178 17.4 18 100 61.6 2.7 43.5 19.8				2,027 110,000 7,850 61,000 9,236 5,200 270 7,500 8,000 3,640 21,000
Theiland Vietnam .	:	٠.		56.8 70.4				7,154 2,200

tractors, with GEC Alsthom supplying the turbines, Indeed, through GEC's partnership two years ago with Alsthom of France, Britain and France now have a formidable force in the Asian power generating.

French aid was instrumental in helping. French, companies win \$1.5bn in power equipment supply contracts to Asia in the 30-month period ending in July were the Alsthom half of the GEC partnership, Stein Industrie, Merlin Gerin, Sulzer Die sel and Spie-Batignolles.

much as tow-thirds of the finance for Asian power projects will have to come from conventional finance.

This challenge alone is prompting major privatisation programmes affecting many power utilities being under Apart from Japan, Hong Kong, Macan and just four of India's 18 regional utilities, virtually all of Asia's power utilities are state-owned. With few exceptions, they are poorly run.

An example of this is in Pakistan, where the Islamabad government and a consortium of US, UK, French, Italian and Japanese interests last month concluded a deal for the supply of a 1,292MW coal-oil fired power station to Pakistan's Water and Power Development Authority. The build-own-oper ste (BOO) deal, the first arranged by the World Bank will cost \$1.3bn over four years. The consortium will effectively become Pakistan's second utility, selling electric-

"Korea followed Japan's example in the 1970s by buying up western technology," Mr Bennborn says. However, ha foresees some problems. Pakistan, with a population of 100m, so far has no counterpart to so far has no counterpart to India's BHEL. Foreign exchange difficulties are enormous throughout the region, and steps are needed to improve local capital investment in national industries. ufactured in Germany and, increasingly, Siemens hardmcreasingsy, Stemens hard-ware produced under joint ven-ture with its Indian partner, Bharat Heavy Electricals Ltd. Since the mid-1970s, when the BHEL tie-up was first arranged, BHEL has won 212 orders for Siemens industrial Many Asian countries have high levels of internal savings that have only to be tapped to create the liquidity needed to boost the power sector. turbines. Increasingly, says the KWU official, tenders in Asian

GE and Westinghouse remain the primary equipment licensers, as a result of various joint ventures and licensing deals. Westinghouse is in partnetship with Japan's Mitsubl-shi Heavy Industries. Accord-ing to a Westinghouse official, the company has moved into service-related activities, par-ticularly in South Korea, Taiwan, China, Japan, Singa-pore and India.

about one-third of total world opportunity for capacity addi-tions in the 1990s. The com-pany has booked \$1bn in orders for each of the last two years in Asia. Not surprisingly, most of these will be in Japan, Korea and Taiwan. In the mid-1980s, GE built the world's largest and cleanest combined Electric Power. The 2,000MW plant is powered by LNG.

in Asia, a Financial Times

vigorous competitors them Leslie Colitt on prospects in eastern Europe

Bridgeheads in place

markets in east Germany, eastern Europe and the Soviet Union have driven western producers to negotiate a series of joint ventures and takeovers in the region.

The major western power engineering companies have established bridgeheads of varying size in east Germany, Poland, Hungary and the Soviet Union, and are negotiating for a presence in Czecho-slovakia.

Annual sales of electric power equipment in eastern Europe are expected to total more than \$4.4bn by the end of this year, and could double if foreign exchange barriers can be broken down, according to a study by Frost & Sullivan. It forecasts thet Czechoslovakia will record the sharpest growth, with sales of electric power generation and transmission equipment reaching \$87m this year and \$1.2bn by 1995. Sales in Bulgaria and Romania this year are expected to reach \$40m and \$99m respectively, and to increase to \$860m and \$450m in 1995, says the report. In Poland, the larg-est market, sales this year are expected to reach \$1.7bn and to rise to \$2.1bn in five years.

New thermal power stations are to be built in east Germany and existing, highly-noxious lignite-fuelled power stations provided with antipollution equipment.
Alone among east European countries, Czechoslovakia

wants to expand and modernise its nuclear energy capacity with western assistance and

using earnings from electricity exports to the west.

A planned high voltage trans-European electricity grid would increase the capacity utilisation of power stations and reduce pollution. The link-up is expected to begin across the Polish-east German border and is to encompass Hungary. It will enable the eastern countries to sell electricity to western Europe and use the earnings to finance

ture investments. In east Germany, Asea Brown Boveri (ABB), Europe's largest power engineering company, and Siemens have divided the market between them. The main lure is the estimated DM40bn which German electricity suppliers are expected to spend on power generating plants in east Germany by 1995.

ABB, through its German subsidiary in Manuheim, has bought three east German heavy electrical companies in the past six months from the Treuhand, the east German privatisation agency. Berg-mann-Borsig, the largest pro-ducer of turbines and other power station installations, is the latest ABB acquisition in east Germany. It will play an important role in building turines and other equipment for n thermal power station at Rostock on the Baltic coast, for which ABB won a letter of

ABB plans to invest DM45m in Bergmann-Borsig over the next three years, most of it in production Earlier this year ABB Germany took control of Automa-

tisierungsanlagen Cottbus, a leading east German manufacturer of power plant control technology and process auto-mation equipment, in which it will invast DM40m. Last December, ABB bought Energieban Dresden from the Treu-hand which produces high-voltage overhead lines, switchgear and catenaries. ABB plans to invest at least DM30m in the Dresden company by 1994 and will expand the

EXPECTATIONS of dynamic range of production. ABB expects new orders in east Germany to total DM2bn this year and says it has detected the first signs of consolidation in the market.

Its main rival, Siemens, is investing DM50m in Görlitzer Maschinenhau, a producer of industrial and heating plant turbines, which it took over last April from the Treuhand. Siemens also bought a producer of automation equipment for nuclear and thermal

Annual sales of electric power equipment could total more than \$4.4bn

power stations at Teltow, outside Berlin, in which it plans to invest up to DM50m. The west German company's KWU subsidiary was recently awarded a contract to equip the 3,000MW Jänschwalde lignite power plant, east Gsrmany's largest, with anti-pol-lution scrubbers.

In neighbouring Poland, electricals producer in Elblag, in which ABB holds a majority Together with its joint ven-

ture with the Dolmel company, ABB employs more than 7,500 people in Poland. Last October, Poland's electricity suppliers selected a con-sortium of Westinghouse, Gen-

eral Klectric (GE) and three Polish companies to conduct a \$3m study on the potential for modernising Poland's coalfired power stations.

In Hungary, which leads eastern Europe in joint ven-tures with western companies, ABB and Lang Gyepgyar of Budapest, a leading Hungarian manufacturer of small and medium-sized turbines, formed a joint venture last year in which ABB owns 75 per cent. The new company, ABB Lang,

has 650 employees Siemens, ABB and other western companies are in advanced negotiations with the USSR on a joint venture to produce gas turbines in the Soviet Union.

GE is pursuing "with the utmost vigour" a relationship with Leningrad Metal Works, says Mr David Genever-Wat-ling, head of its power gener-ating equipment business. "Ws believe a significant concrimity evists for morn-

opportunity exists for manu-facture of combustion turbines for application on the Russian system," he says.

ABB's German subsidiary is also setting up a joint venture in the Soviet Union in power plant control systems. The new company, in which ABB will have a 51 per cent ABB formed a joint venture stake, will design, install and with Zamech, the major heavy service control systems for the automation and monitoring of

Soviet power stations.

Talks between western producers and Czechosiovakia's Skoda engineering company in Pizen have dragged oo since last year without tangible

Skoda Pizen (no relation to the Skoda car company) is negotiating with Siemens, ABB, Westinghouse, GE and Ansaldo of Italy on a partnership with its thermal and nuclear power divisions.

F. John L. Bindon on nuclear power in Europe

Dam scheme on the upper licensing agreements with the Yangtze River. In India, it has US majors, and have become

Market without barriers

THE European Single Market will have a significant effect upon the future of nuclear

Up to now, differences in the way energy is produced and utilised have been subject to national sensitivities between member states over questions of regulation, statutory obligations, traditions, policies and taxation laws. Licensing arrangements are very much left to national governments. These differences have tended

to create barriers to progress.

The single market will be an energy market without such barriers, one in which nuclear energy has the opportunity to expand in a way which will offer a more prosperous future for the European Community. At the same time, increased nuclear generation will greatly assist in combating the green house effect.

EC members need to reduce their dependence on energy imports. Since the oil crisis of the 1970s, the community has made substantial progress in this direction.

Nuclear energy, despite Three Mile Island and Chernobyl, has made a substantial contribution. In 1970, nuclear emergy accounted for 2 per cent of energy production in Europe; by 1987, that had increased to 14 per cent. Today, more than 35 per cent of all electricity generated within the EC comes from nuclear power, making it the biggest single source of energy for electricity production. The target for 1995 is for 40 per cent of

electricity to be produced by nuclear means. Despite arguments to the contrary, generation cost studies undertaken show that electricity can be produced more cheaply from nuclear fuel than from fossil fuels. The saving is even greater if the cost of environmental damage due to emissions to the atmosphere

is taken into account. Nuclear power presents a more complex series of operating costs than other types of power generation, the largest

proportion relating to the capi-tal cost of building. The need for improving safety standards is ever present. One of the objectives of the internal market must be to reduce such costs and increase the economic competitiveness of nuclear power. The future of nuclear power will always depend upon its safety record and any cost cutting has to be achieved within a health and

safety framework.

Of the European countries with a nuclear component, only France is expanding its nuclear generation to any great degree. With a nuclear capacity of more than

The target for 1995 is for 40% of EC power to be produced by nuclear plants

51,000MW, and another 11,000MW under construction, the French see nuclear power as the key to their energy inde-

pendence and economy. Germany'e nuclear compo-nent stands at nearly 40 per cent, with two stations awaitming. The question yet to be answered is just how the new Germany will administer the nuclear stations, formerly owned by East Germany, where six reactors have a capacity of 2,102MW.

An important point is the

condition of the old coal-fired power stations emitting a very high level of gaseous pollut-ants. These stations in eastern Europe will have to be phased out within the next decade. Nuclear power, therefore, has an opportunity to be part of the replacement programme. Czechoslovakia, Hungary

and Bulgaria have large nuclear programmes - Hun-gary produces nearly 50 per cent of its electricity by such means. The governments of these countries are seeking to increase this percentage and this will bring opportunities for enterprising companies Belgium, the Netherlands and Spain have a high percent-age of nuclear plant but their future development is in doubt. Italy and the other member states are unlikely to avoid some nuclear development if their future prosperity is to be

Britain, with 23 per cent nuclear generation, has one PWR station under construction. However, the outlook is bleak for the nuclear industry in the UK. The government has set a moratorium on any future expansion until after a review is undertaken in 1994. No one knows how that review will be conducted or if, indeed, it will ever be carried out. Even those companies pres-

ently engaged on Sizewell B

cannot with any degree of cer-tainty plan for their future. The nuclear manufacturing industry on the European mainland is in a more adv geous position than that of the UK. Companies in France and Germany such as Siemens, Asea Brown-Boveri and Framatome have a wealth of experience in the building of PWRs. The overriding conch that Britain's nuclear industry must get its act together to

face the European onslaught

next year. The challenges for the future of nuclear power in the Com-munity are many. Public acceptability, as ever, needs to be won by the industry and this can only be achieved through high performance and excellent safety standards, financial control and patience. It must demonstrate in a more positive way that nuclear power is an environmentally advantageous energy source and is safe. The control of

radioactive waste must be made acceptable to the public. Competition between differing forms of electricity supply will increase over the coming years and in this nuclear power must remain at the fore-

The author is a UK energy

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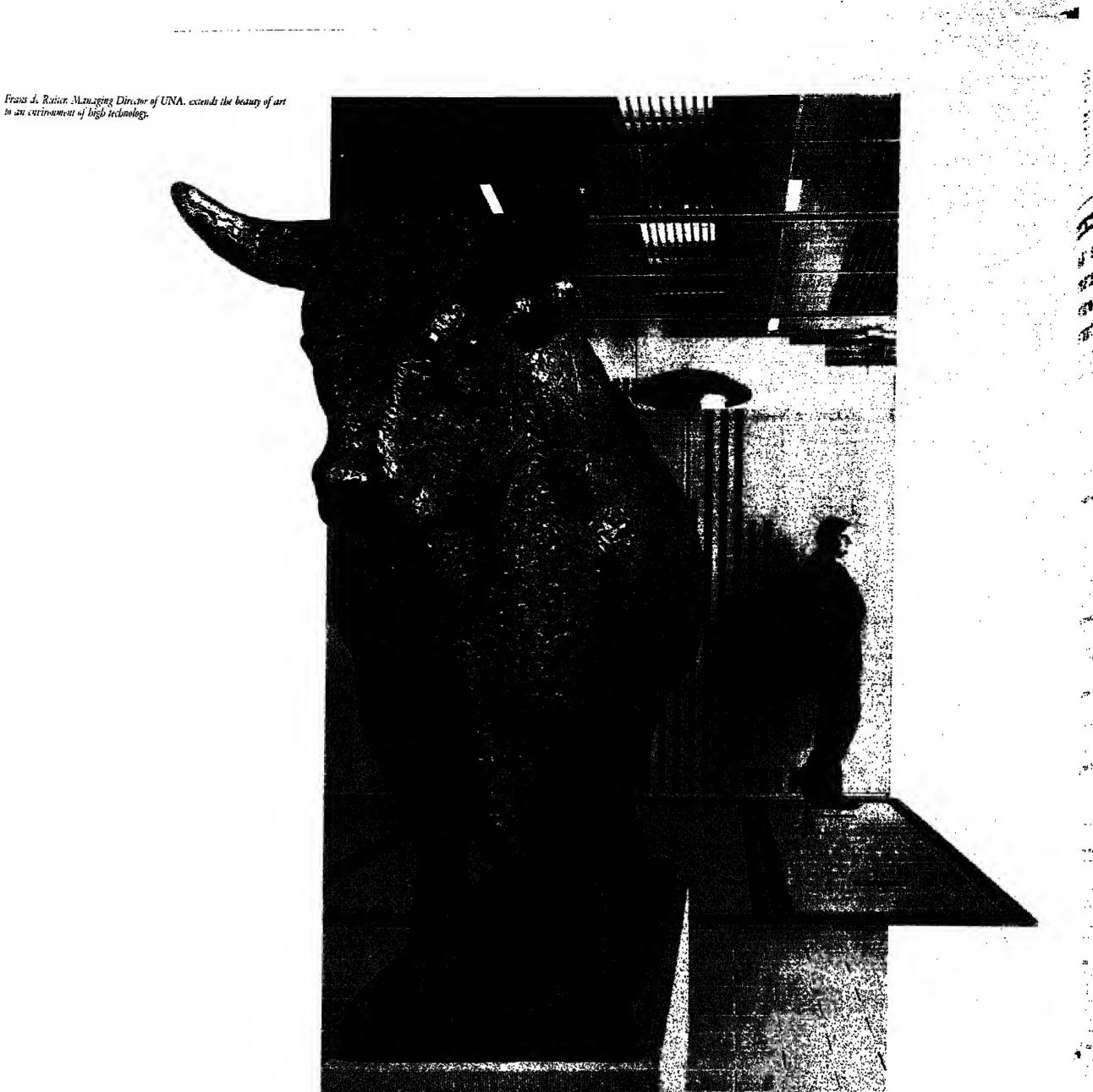
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Frans de Ruiter's turbine

Frans de Ruiter is the Managing Director of UNA, the Dutch electrical power utility supplying the Noord Holland – Utrecht – Amsterdam area.

is a work of art.

He has a tough assignment. UNA serves one of the most densely populated regions of the most densely populated country in the world. To help it do so, UNA has completed the installation of the two largest, most efficient gas turbines operational in the world today. Each generates 140 megawatts of electricity at efficiency levels well in excess of any comparable facility.

"We have made full use of ABB's most advanced technology to meet demanding targets," says

Mr. de Ruiter. "At the same time, we have been able to satisfy Holland's strict environmental controls."

Not only are UNA's plants exceptionally "clean" – UNA has just won a prestigious international award for its environmental achievements – but the company's efforts to landscape the surroundings of its power plants have also won praise with local communities. At the Utrecht power station, Mr. de Ruiter's environmental efforts have gone one step further. He has turned the interior of the plant into a giant gallery, and one of his new turbines itself into a work of art. "Why not?" he asks. "Our employees deserve a stimulating work environment. And we are proud of having the world's most modern."

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